Global information

Al Gore calls for a network of networks

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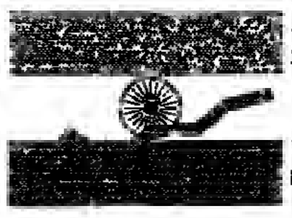

India's economy

Will results match expectations?

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Fuji Xerox

A delayed bout of growing pains

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Frankfurt's malaise

No longer in the van of European culture

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FINANCIAL TIMES

Europe's Business Newspaper — MONDAY SEPTEMBER 19 1994

European ruling on Guinness questions UK fraud inquiries

The legality of the UK's procedures for fraud investigation and prosecution was called into question by a European Commission on Human Rights ruling that the Guinness trial in London was unfair. The commission upheld a complaint by Ernest Saunders (left), former chairman of the UK drinks group, who was jailed for his role in the 1986 takeover of Distillers. Page 8

Britain and US launch IMF initiative: Britain and the US launched an initiative to allow the International Monetary Fund to boost the official reserves of former communist states. Page 18

Truck sales show signs of recovery: The west European truck market is showing signs of moving slowly out of recession after four years of falling sales. Page 2

Renault staff to be offered share discount: Renault employees are likely to be offered a discount of up to 20 per cent of the price of shares in the French state-owned vehicle builder as part of its partial privatisation. Page 21

Mandela to hold Zulu talks: South African president Nelson Mandela holds talks today with two of South Africa's most influential Zulu leaders in an attempt to defuse growing tension in the tribal region. Page 5

South African bank plans syndicated loan: Rand Merchant Bank, one of South Africa's three largest investment banks, is to launch the first syndicated loan by a South African company since 1985, marking an important step in the country's return to international capital markets. Page 19

Apple to license software: Apple Computer is today expected to announce plans to license its Mackintosh software to other manufacturers, allowing them to produce Mackintosh "clones". Page 21

China pressed on unity trusts: *British fund* management companies are to press the Chinese government to be allowed to participate in introducing unit trusts to China. Page 8

Healthcare deals top $18bn: More than $18bn changed hands in mergers and acquisitions in the healthcare industry in the first half of 1994, management consultancy KPMG Peat Marwick says. Page 19; Flotation for Independent British Healthcare, Page 20

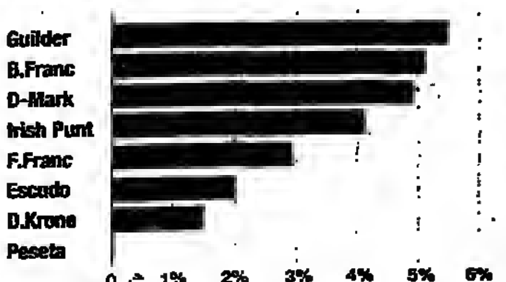
France prepares tough budget: The French government will this week unveil an austerity budget for 1995 designed to cut the central government deficit and bring France closer to European criteria for monetary union. Page 2

Spain loses fight over ferry service: British ferry company Cenargo was granted permission to operate a service between Almeria in Spain and Nador in Morocco after a two-year battle with Spanish authorities. Page 2

India lays down tough telecoms rules: India announced tough terms for the entry of private companies, including foreign groups, into the country's telecommunications market. Page 4; Canada loosens telephone regulations, Page 21

Le Pen to stand for French presidency: Jean-Marie le Pen, leader of France's extreme right National Front party, said he would be a candidate in next year's presidential election. Page 3

European Monetary System: In a week which saw some D-Mark weakness against other currencies, the D-Mark managed to hang on to its third place in the EMS grid. Its spread against the peseta, the weakest currency in the system, decreased to 4.89 per cent from just over 5 per cent. Currencies, Page 31



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Hungary plans drugs group sale: Hungary is to sell about 36 per cent of pharmaceuticals company Richter Gedeon. Part of the issue will be sold via a private placement to international institutional investors. Page 21

Filtronic Comtek expects £60m price tag: Filtronic Comtek, a UK manufacturer of components for the mobile telecommunications industry, is to be floated on the stock market with an expected market capitalisation of £60m ($93m). Page 20

Yeltsin in talks on Abkhazia: Russian president Boris Yeltsin will today meet the leaders of Georgia and its breakaway region of Abkhazia as Russian peacekeeping troops prepare to begin resettling refugees returning to Abkhazia. Page 2

Sweden's Social Democrats set to win back power

By Hugh Carnegy and Christopher Brown-Humes in Stockholm

Sweden's Social Democratic party was last night set to return to power after defeating Mr Carl Bildt's centre-right coalition in yesterday's general election, according to early results.

A computer projection, based on almost 20 per cent of the vote, predicted a sharp swing to the left, but indicated that the Social Democrats, led by Mr Ingvar Carlsson, a former prime minister, would fail to win a parliamentary majority.

The Social Democrats, who ruled Sweden for most of the last 60 years, were set to win 45.3 per cent of the vote, easily enough to defeat Mr Bildt's three-year-old, four-party coalition government. The reformist coalition was expected to win a combined total of 40.8 per cent, down from 46.7 per cent in the 1991 election. Its rightwing ally, the New Democracy party, was set to fail to win re-election to the parliament.

According to the results, Mr Carlsson will have to decide whether to form a minority Social Democratic government or seek a formal coalition with at least one smaller party to gain a majority in the Riksdag.

The Left party, a traditional Social Democratic ally, and the Environment party, were set to hold the balance of power, with strongly improved results on 1991. But Mr Carlsson has indicated he might seek an alliance with the Liberal party, a member of the current government.

Mr Bildt's minority coalition won the 1991 election when the Social Democrats slumped to their worst result for decades, winning only 37.7 per cent of the vote. The government promised radical market reforms of the "Swedish model" to revitalise an economy weighed down by extensive welfare provisions.

But it was in turn hit by the worst recession since the 1930s which shrank the economy by 5 per cent over three years. The most urgent issue facing the new government is a recession-induced crisis in the public finances. Sweden last year ran a recession-inflated budget deficit equivalent to 13 per cent of gross national product, one of the worst in Europe. The public debt will soon exceed 100 per cent of GNP and is the fastest-rising among countries of the Organisation of Economic Co-operation and Development.

Uncertainty about the shape of the new government and its policies has led in recent months to a sharp rise in interest rates, undermined the value of the Swedish krona and led to a reduction in 1995 growth forecasts. The financial markets were hoping the election would produce a stable government that would act quickly to tackle the deficit and create conditions for a fall in interest rates.

The new government must also turn its attention to the referendum due on November 13 on Sweden's agreement with Brussels to join the European Union from January 1 next year.

Everyone losing in Danish poll, Page 3

Washington insists junta's departure is the only issue for discussion

Carter talks hold key to next move over Haiti

By Jurek Martin in Washington

Former US president Jimmy Carter yesterday entered a fourth session of talks with Haiti's military rulers, as senior US government officials in Washington insisted that his mission was authorised only to agree the departure of the ruling three-man junta.

There were persistent reports from the Haitian side that Lt Gen Raoul Cedras, the army chief, was demanding that Mr Jean-Bertrand Aristide, the Haitian president ousted in the 1991 coup, agree to step down as a condition for the junta's capitulation.

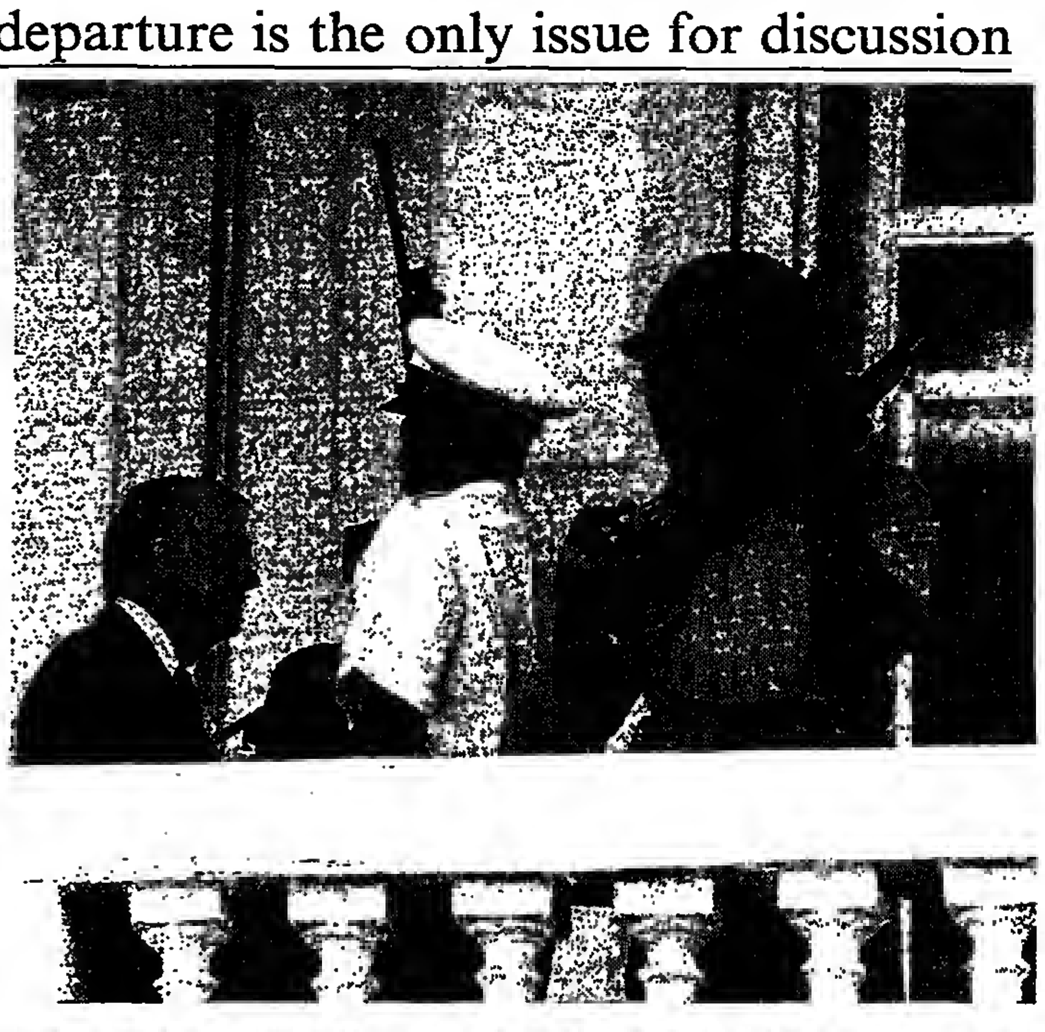
Other reports said that General Philippe Niamby, the army chief of staff, was holding out against leaving, but that Lt Cedras and Lt Col Michel François, the police chief, were resigned to exile. President Carlos Menem of Argentina yesterday said he was prepared to offer asylum if the junta left before any invasion.

As the US delegation, which also includes Senator Sam Nunn of Georgia and retired General Colin Powell, former head of the joint chiefs of staff, was in talks at the Haitian military's headquarters in Port-au-Prince, a US presidential jet stood ready to whisk them back to Washington.

Mr Carter briefed President Bill Clinton by telephone on Saturday night, as did Gen Powell early yesterday. This encouraged the White House to say the discussions were "serious and constructive", with officials emphasising that there was no US desire to humiliate the junta beyond their forced departure.

But Mr Leon Panetta, the White House chief of staff, Mr Warren Christopher, secretary of state, and Mr William Perry, defence secretary, all said in television interviews that the junta must go. "There is no practical way they can stay after they step down," Mr Perry said.

Officials stressed that the return of Mr Aristide was non-negotiable, especially after his agreement last week not to contest presidential elections scheduled for December 1995. Asked if moving across the border to the Dominican Republic was an option, Mr Perry replied: "We have not yet specified which country they could go to – but that might be under discussion right now" in Port-au-Prince.



Jimmy Carter before his meeting with Lt Gen Raoul Cedras in Port-au-Prince yesterday — Picture: Associated Press

General John Shalikashvili, current chairman of the joint chiefs of staff, said the 20,000-strong US-led invasion force could remain at full readiness for the foreseeable future. But he conceded that an invasion would mean US troops entering "an extremely difficult environment."

It emerged at the weekend that Mr Clinton decided to send the Carter mission only after Thursday night's televised address in which he had demanded that the junta leave. Mr Panetta said the final decision was taken jointly by Mr Clinton and Mr Carter but he denied that "this last-minute effort for peace" had been opposed by some administration members. However, the decision was interpreted in Washington as further evidence that Mr Clinton is still deeply ambivalent about ordering an invasion.

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Ministers stress vital role of global network

By Michiyo Nakamoto in Tokyo and Andrew Adonis in London

The early construction of a global information superhighway is critical to achieving balanced economic growth over the next century, telecommunications ministers from nearly 50 countries will declare this week.

A draft of the communiqué from a ministerial meeting, to be held in Kyoto, Japan, this week, focuses on telecoms expansion as a key element in economic advance in developed and less developed countries.

The communiqué, due to be released on Thursday, is likely to be less explicit about the best means for fostering telecoms expansion, despite recent strong pressure from the US and international agencies in favour of privatisation and competition.

The ministers' meeting is being sponsored by Japan's ministry of posts and telecommunications to coincide with a plenipotentiary conference of the International Telecommunications Union, to be held in Kyoto from today.

Although several major regional groups, including the EU's Bangemann committee, have examined the implications of new superhighways, the ministers' meeting will be the first high-level gathering at which

Continued on Page 18
Al Gore on the global network, Page 16

China aims to invest $11.7bn in oil sector

By Tony Walker in Beijing

China has set out plans to invest Yn100bn ($11.7bn) in its outdated petrochemical sector by 2,000. A substantial proportion of the funds, including equity participation, will come from abroad.

Mr Li Yizhong, vice president of the China Petrochemical Corporation, promised an aggressive approach to raising capital on world markets to overcome one of the acknowledged weak spots of the country's economy.

Mr Li told Business Weekly newspaper that China intended to use international capital markets rather than relying on domestic funds alone. "Utilising foreign capital, especially direct investment, would be our long-term strategy," he said.

Before the year 2000 China would give priority to renewing and expanding existing facilities, especially those in coastal regions accessible to crude oil imports. Sino-foreign joint venture refineries would be allowed to sell part of their product in the domestic market, Mr Li said.

China is negotiating investment deals with several big oil

Continued on Page 18
Price curb campaign, Page 4

Hong Kong election draws strong turnout

By Simon Holberton in Hong Kong

Nearly 700,000 people turned out to vote yesterday in Hong Kong's first fully democratic elections under British rule, undeterred by threats from Beijing to overturn the result of the poll when China resumes sovereignty in 1997.

An exit poll conducted by TVB, a local television station, found that 70 per cent of those who voted said they were not concerned by China's stated intention to overturn the election.

Mr Chris Patten, the colony's governor, said the turnout underlined that local people wanted a say in how their community was run. The vote was the mark of an "open, self-confident and plural society", he said.

The strong voter turnout – numbers were more than 50 per cent up on a similar poll in 1991 – was seen by analysts as indicative of strong support for Mr Patten's political reforms. Mr Stephen Tang, a political analyst, said China should reconsider its plan to dissolve Hong Kong's political structure.

China legislated this month to hold fresh elections for all three tiers of representation in Hong Kong after it takes over in 1997. Last year talks between London and Beijing broke down when the two were unable to agree on the terms of the last elections to be conducted under British rule. Mr Patten proceeded with measures to establish an election infrastructure which he claimed was fair, open and acceptable to the people of Hong Kong.

China for its part set about appointing advisers to inform Beijing about the concerns of ordinary people.

As part of the Patten plan, two further sets of elections will be held in Hong Kong next year, culminating next September in polls for the Legislative Council, the colony's lawmaking body.

In yesterday's poll 756 candidates contested 346 seats which comprise 18 district boards. None of Hong Kong's political parties fielded enough candidates to win a simple majority.

The number of voters was about 250,000 more than the turnout in a similar poll in 1991. Then voters were electing two-thirds of the colony's district boards, or local councils, with the remainder appointed by the government.

However, as a percentage of Hoog Kong's registered voters, yesterday's vote, at 33.1 per cent of the electorate, was only ahead marginally of that achieved in 1991. Hong Kong electoral rolls are not kept up to date. Candidates estimated that np to 20 per cent of the roll was inaccurate.

Picture, Page 4

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw40.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	SKSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira70	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr15	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	Ekr 20	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 36,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal	Esc[illegible]	Turkey	L30000
Germany	DM3.60	Lux	LFr65		Esc225	UAE	Dh12.00

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Truck sales show signs of recovery

By Kevin Done, Motor Industry Correspondent

The west Europeao truck market, hattered by falling sales for the past four years, is heginning to show signs of moving slowly out of recession.

Sales of new trucks (over 3.5 tonnes gross vehicle weight) were virtually unchaoged in the first seveo months of the year after cootinuing to fall by 4.7 per cent year-oo-year in the first quarter.

According to a study of 14 markets across west Europe by Automotive Industry Data, the UK-based analysts, new truck registrations in the first seven mooths this year fell by only 0.7 per ceot to 129,610 from 130,470 a year ago. European truck sales, a significant indicator of economic activity, fell hy 21 per cent last year to 220,000, the worst year-on-year decline in the post-war period, according to AID, and have declined hy oearly a third from the peak of 321,000 in 1989.

"The provisional April to July figures indicate that a likely turning point has been reeched. . . with a graduel pick-up in truck demand during the second quarter," says the report.

The recovery is being led hy the UK, which was one of the first markets to enter recession in the second half of 1989, and hy Scandinavia and France. Overall sales in the first seven months were higher than a year ago in 10 of 14 European markets.

New truck registrations in the UK rose hy 21.7 per cent year-on-year in the first seven months to 21,300, while sales in France increased by 12.2 per cent to 20,200.

The Freoch truck market has suffered its worst decline since the aecond world war with sales halving from e peak of 52,247 in 1989 to only 28,376 last year, the lowest level for more than 30 years.

In the UK truck sales fell from 69,234 in 1989 to 31,398 in 1992, the lowest level since the early 1950s.

The most severe recession has been suffered in Spain, however, where the market has contracted by almost two-thirds during the last four years to 13,569 last year from 36,379 in 1989.

The Spanish market, too, has shown signs of recovery in the second quarter, however, with sales growing hy 2.5 per cent after the first six months to 6,400, reversing a further decline of 12.5 per cent in the first quarter.

Sales were still lower than e year ago in Germany, Italy, Portugal and Belgium with Italian truck sales plunging by 35.4 per cent in the first six months to 7,300, while registrations in Germany fell by 11.1 per cent in the first seven months to 48,000.

WEST EUROPEAN TRUCK REGISTRATIONS*
January-June 1994

	Volume (Units)	Volume Change (%)	Share (%) Jan-Jun 94	Share (%) Jan-Jun 93
Total (over 3.5 tonnes)*	113,900	-1.0	100.0	100.0
Germany	39,300	-11.3	34.5	38.5
UK	19,700	+22.7	17.3	14.0
France	17,500	+11.9	15.4	13.6
Italy	7,300	-35.8	6.4	9.8
Spain	6,400	+2.5	5.6	5.4
Netherlands	5,400	+10.4	4.8	4.3
MANUFACTURERS:				
Mercedes-Benz (Daimler-Benz)	33,500	-2.8	29.4	30.0
Iveco group (Fiat)	19,900	-9.1	17.5	19.1
MAN	14,900	-5.8	13.1	13.7
Volvo	11,600	+22.7	10.2	7.8
Renault	10,900	+3.8	9.6	9.1
Scania (Investor)	8,100	+10.7	7.1	6.3
Daf Trucks	7,100	-0.4	6.2	6.2
Volkswagen	1,400	-5.8	1.2	1.2
Mitsubishi	1,300	-23.9	1.2	1.5
Nissan	900	-30.2	0.7	1.1
Of which Heavy Trucks (over 15 tonnes)				
Total	64,200	+6.4	100.0	100.0
Mercedes-Benz (Daimler-Benz)	14,600	+1.2	22.8	23.7
Volvo	10,100	+37.2	15.7	12.0
MAN	9,600	-9.9	14.9	17.4
Scania (Investor)	8,000	+11.2	12.4	11.8
Iveco group (Fiat)	7,600	-8.7	11.9	13.7
Renault	7,200	+15.2	11.2	10.3
Daf Trucks	4,900	+11.4	7.6	7.2
ERF	1,100	+35.0	1.8	1.4

(names in brackets indicate ownership)
*16 markets excluding Greece.

Source: Industry estimates.

Yeltsin in talks on Abkhazia refugees

By John Lloyd

President Boris Yeltsin of Russia will today meet the leaders of Georgie and its breakaway region of Abkhazia as Russian peacekeeping troops are scheduled to begin resettling Georgian refugees returning to Abkhazia after being driven out in fighting last year.

The official Russian news agency Itar Tass said that Mr Yeltsin would meet Mr Eduard Shevardnadze, the head of the Georgian parliament, and Mr Vladislav Ardzimba, head of Abkhazia, in the Bleck Sea resort of Sochi.

The Abkhazians, e minority in the region bearing their name, succeeded in defeating Georgian troops during a long-drawn out conflict – e defeat which was followed by an exodus of many thousands of the Georgians who made up the majority of the region.

● *Near-riots broke ont in* Tblisi, the Georgian capltal, over the weekend as the price of bread rose by nearly 300 times and other commodities and services also rose by huge amounts.

Moscow weighs up coal restructuring

By John Lloyd in Moscow

The restructuring of the Russian coal industry is under urgent consideration by the Russian government.

At stake is a sector employing nearly 800,000 workers ettracting massive subsldiea from an impoverished budget – and a $500m (£322.5m) loan from the World Bank which would be paid if the government committed itself to the huge redundancy and social programme entailed in making the industry efficient.

Though no decision has yet been made in principle to adopt a fully-fledged closure strategy, the state body which oversees the industry, Rosugol, announced last week the closure of nine loss-making pits. This seems to be a move showing that it is willing to undertake a efficiency measures at which it has so far baulked.

Mr Alexander Sergeyev, head of the Independent Union of Mineworkers, said Rosugol had no right to make the announcement and warned of a "social explosion" in the Kuzbass, the main coal-producing regions.

However, an analysis undertaken by the World Bank, to be the subject of intensive discussions beginning later thia week, points to e much more radical closure programme – which would take out one-third of the industry's capacity and reduce the workforce by over 300,000. It shows that coal consumption in Russia has plummetted from 369m tonnes ln 1990 to an estimated 304m tonnes in 1993 and is projected to fall to 217m tonnes by 1997. During 1992, direct employment has remained stable, at 763,000 in 273 pits.

The issue is made more delicate hy the fact that the miners were the critically important group in the ascent to power of Mr Boris Yeltsin as presldent of Russie – they made his programme e centrepiece of their demands during the strike waves of the late-1980s. They have remained better organised and more militant than workers in any other industry and have so far forced governments et least to promise compliance with their demands, even if in fact their wages are often delayed from three to six months.

The World Bank report, e copy of which hes heen obtained by the FT, was drawn up with the participation of the government and Rosugol hut is not hinding. It describes the Russian coal industry as in a "catastrophic" position, and calls for an extremely rapid reduction of employment and output, to the year 2000, especially in the two large coal hasins in the Kuzhass, in Siberia, and the Pechora basin in the Komi Republic in the Arctic Circle.

On its most radical projection, it sees a drop of employment to 287,000 in 118 pits by 1997, and on a less radical projection, to 338,000 in 138 pits. However, it stressea thai "employment reduction... cannot start until there is an adequate and fully-funded safety net in place".

The Bank report says that coal subsidies account for 1.4 per cent of Russian GDP, and are "clearly unsustainahle". Nearly half of the subsidies are paid to cover losses and for investment – "encouraging mining companies to sell coal at prices which are well below the marginal costs of production, which depresses prices and profits for the low-cost, potentially profitahle pert of the coal industry".

The report recommends that:

● Subsidies be reduced from 1.4 per cent to 1 per cent in 1995, 0.6 per cent in 1996, 0.3 per cent in 1997 to reach zero in 1998;

● Rosugol devolve the payment of wages and tha setting of prices to the mining companies;

● The social costs now paid by the mining companiea towards housing, medical and other services be transferred to the regional and local governments;

● The relatively high wage premiums paid to miners be reduced to make employment less attractive and that "special payments" be offered to miners over the age of 45 to leave the industry.

The report is frank on the social upheaval entailed – saying that, to be successful, the leval of mining employment in the Kuzbass would fall from around 300,000 now to 70,000-80,000 by the year 2000. It also says miners have little chance of alternative work.

Oil companies to sign Azerbaijan extraction deal

By Steve LeVine

Partners in a British Petroleum-led consortium of western oil companies expect to sign e $7bn (£4.5bn) extraction deal with tha former Soviet republic of Azerbaijan tomorrow

The contract will represent a breakthrough after four years of hard negotiations. It is the first hig western oil deal signed in the energy-rich region since Russia asserted its right to e primary role on the Caspian Sea about a year ago. Delegations from most of the eight western oil companies involved flew to the Azeri capital of Baku last night.

The two offshore fields, known as Azeri and Chirag, contain an estimated 4bn barrels of oil; the extraction deal is estimated to be worth an eventual $118bn. Azerbaijan is to receive 80 per cent of the proceeds, and the consortium the remainder, sources said. The contract comes after sethecks in the consortium's ettempt to extract oil from Azerbaijan, including e seemingly solid agreemeot which fell through in June last year when Azerbaijan's government was ousted in a coup.

The deal includes a strong Russian involvement in Azerbaijan; the Caspian repnhlic grudgingly retnrned to Moscow's fold during the coup's aftermath. The Russian firm *Lukoil will* have e 10 per cent stake in the foreign consortium and has also been granted a primary role in developing e third, edjacent oilfield called Guneshli.

"Everybody is very pleased with the contract," said Mr Steve Remp, chairman of Ramco Energy, one of the western partners. Two other major contracts have beeo signed on the inland sea, both in Kazakhstan, one *being* Chevron's agreement to exploit the Tengiz oilfield, the ex-Soviet Union's biggest single western oil deal.

However, no drilling or new oil flow has begun, largely because of obstacles thrown up by Moscow, which argues that it deserves a big part in the deals because Russian engineers found and developed the fields during the Soviet period. Western analysts, meanwhile, have asserted that Russian government and military officials are also intent on retaining e strong political influence in the region hy restructuring its energy development and resulting economic independence.

The current contract is the product of six weeks of final negotiation in Houston which finished last Thursdey. The consortium partners were notlfled almost immediately that Mr Heydar Aliyev, the Azerbaijan presideot, had epproved it subject to parliameotary ratification. Other members of the consortium include Statoil, Pennzoil, McDermott and Turkish Petroleum.

The two sides did not resolve e dispute over *how the oil will* he transported out of the region, and negotiation on e pipeline were to begin almost immediately after the signing. Moscow has insisted thet the consortium use the existing pipeline route through Russia's Black Sea port of *Novorossisk*. But some western enalysts have seen this as a Russian attempt to maintain its economic cootrol over ex-Soviet energy and that e proposed alternate route ending et the Turkish port of Ceyhan would be more economical, as well as wiser politically for Azerbaijan.

Spain gives way to UK ferry line

Spain has conceded defeat in a two-year battle to prevent a British ferry line operating services between Spain and Nador in Morocco, wrltes Charles Batchelor.

The British company, Cenargo, said it had been granted permissioo to operate a service from Almeria in Spain under the name Ferrimaroc from mid-November.

Eighteen months ago Spanish gunboats prevented a Cenargo ferry, the Scirocco, from berthing at the port.

Cenargo took its fight to the Spanish courts and also obtained a ruling from the European Commission that it had the right, under the single-market regulations, to operate the service.

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NEWS: EUROPE

Everyone losing in Danish poll

Rasmussen likely to stay on as head of minority government

By Hilary Barnes in Copenhagen

There will be many losers and no winners in the election to the Danish parliament on Wednesday, unless the opinion polls are badly misleading.

The opposition Liberal and Conservative parties, hoping to form a coalition government, will make gains, but not enough to control a majority. The four-party centre-left coalition government, headed by the Social Democratic leader, Mr Poul Nyrup Rasmussen, will lose seats, but Mr Rasmussen is expected to hang on as head of a minority administration.

Such a government, however, would be dependent on the parliamentary support of the left-wing Socialist People's party, an uncomfortable ally. The SPP has no inhibitions about government spending, and is not put off by the fear of speedier inflation, a stance which the financial markets have already noted.

Mr Rasmussen's campaign has gone sour. For months he has promised that his government would "put a downward kink in the unemployment curve". However, despite an expansive fiscal policy, which will give the country a GDP growth rate of 4 per cent or more this year, the July unemployment figures played into the opposition's hands: thay showed an upward kink in the jobless curve from 12.3 to 12.5 per cent, seasonally adjusted.

Welfare is the election's other central issue. Mr Rasmussen, promising more and better welfare, has not always scored well on this issue either. In a campaign devoted almost entirely to photo opportunities, he strode into a Copenhagen hospital last week, taking the hands of a frail patient and telling her how much better the hospitals would be if his government was confirmed in office. A television crew stayed behind when Mr Rasmussen rushed on and asked her if she believed the prime minister's promises. Her convinced and articulate negative was the highlight of the main evening TV news.

Small mishaps, perhaps, but the SDP's opinion poll ratings, excellent at the start of the campaign, have weakened by the day. Gallup at the weekend gave the SDP about 33 per cent, compared with 37.4 per cent in the last election.

Nor has the campaign been a great success for Mr Uffe Ellemann-Jensen, the Liberal leader, or Mr Hans Engell, the Conservative leader. Their only chance of a forming a government requires the parliamentary support of the right-wing populist Progress party, but wooing the populists worries moderate voters. They find the Progress party's refugee policy, calling for closed frontiers, and with racist undertones, particularly distasteful.

Mr Poul Schlüter, Conservative prime minister for 10 years from 1982 (and now a Euro MP), undoubtedly expressed the feeling of many moderate non-socialist voters when he said last week that he was unhappy at the prospect of a formal alliance between the Liberals and Conservatives and the Progress party.

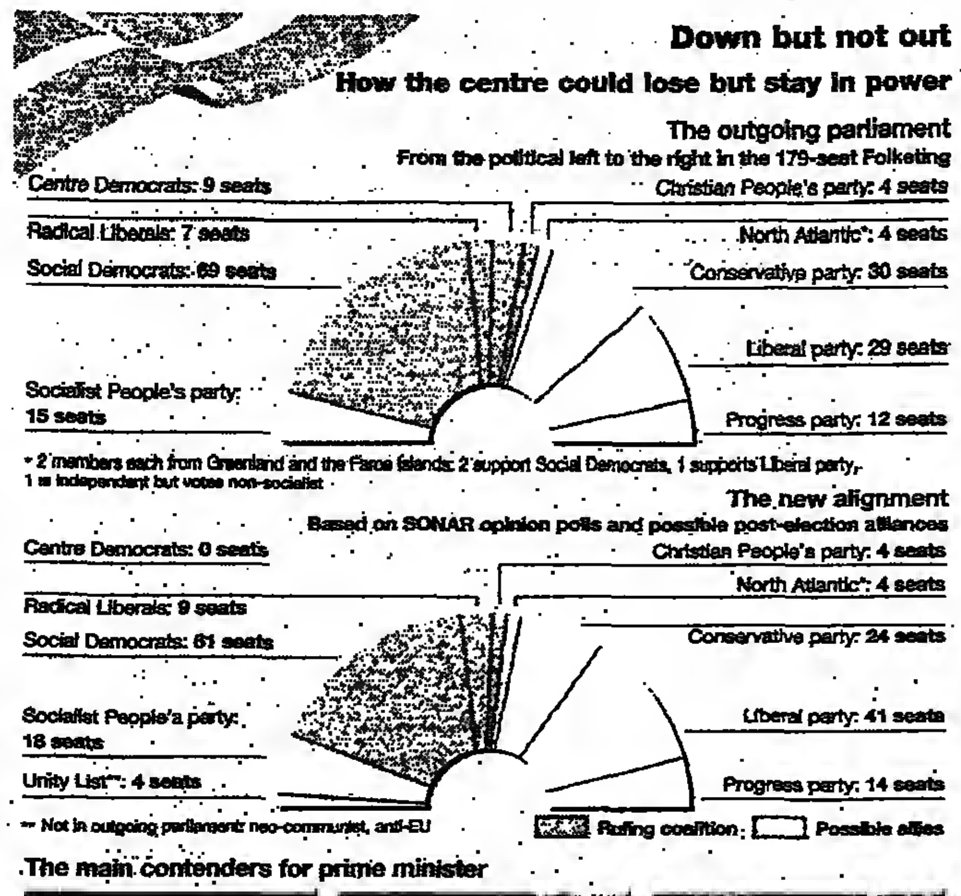
The Liberals and Conservatives are also making heavy weather of their message that a country where government expenditure has reached 64 per cent of GDP and which has the highest tax burden of any country in the Organisation for Economic Co-operation and Development, about 49 per cent of GDP, needs to reform the welfare state before the welfare state precipitates economic collapse. No less than 44 per cent of tha adult population is dependent on transfer incomes such as benefits and pensions from the government, and the state sector provides 35 per cent of total employment.

There are echoes in this of the campaign for yesterday's election in Sweden where the incumbent centre-right of government Mr Carl Bildt sought to persuade voters that drastic cuts in government spending were required to solve the crisis that has already hit Sweden's public finances.

"It's a difficult message," said Mr Ellemann-Jensen. "Almost 50 per cent of the voters think we are going to take something away from them."

The Liberals and Conservatives want to concentrate resources on the health system, education and social services, and to curb cash welfare benefits.

Only one thing looks as if it could upset Mr Rasmussen's chances of a second term. This is that one or more of the small centre parties in his present coalition, the Radical Liberals, the Centre Democrats and the Christian People's party, become so worried by the prospect that the SPP will obtain leverage on the government that they switch their allegiance and back a government headed by either Mr Ellemann-Jensen or Mr Engell.



The main contenders for prime minister

Poul Nyrup Rasmussen

The 51-year-old leader of the Social Democrats and incumbent prime minister. He ousted Svend Auken in a leadership contest to become head of the party in April 1992 and became PM in January 1993. A political science graduate, he made a career as an economist with the Confederation of Danish Trade Unions. While his government coalition seems certain to lose seats, he could well remain in office.

Hans Engell

The 48-year-old leader of the Conservative party and a former minister of defence and minister of justice. Trained as a journalist. Opinion polls indicate majority of non-socialist supporters would prefer him as PM in a non-socialist government over the Liberal party's Ellemann-Jensen. But his own party, reckoned to be to the left of the Liberals, is not likely to do as well in the election as the Liberals.

Uffe Ellemann-Jensen

The 52-year-old leader of the Liberal party and foreign minister from September 1982 to January 1993. Has a political science degree and made an early career in journalism. Won strong international reputation as foreign minister, but his provocative tongue offends many consensus-minded Danes. His party can expect a good result, but this will probably not be good enough to get him the top job.

Paris austerity budget on way

By John Ridding and David Buchan in Paris

The French government will this week unveil an austerity budget for 1995 which banks on stronger economic growth next year to prune the central government deficit and bring France closer to European criteria for monetary union.

Most of the planned reduction in the budget deficit – from FFr300bn (£36bn) this year to FFr275bn next year – is due to come from the automatic increase in tax revenue that is expected from 3.1 per cent growth in the French economy next year, and from refusing to let public spending rise more than next year's expected inflation rate of 1.9 per cent.

Senior government officials expect the budget, to be unveiled on Wednesday, to win plaudits from the international markets. As one said: "It shows that we are mastering our spending while still continuing our structural reforms to encourage employment", with the state shouldering more of the welfare taxes currently borne by companies.

But another proposed "structural" reform has stirred an outcry from the Patronat employers' federation. This would reduce the rebate that companies get from the central government on the "professional tax" which they pay to French local authorities and which is levied on their capital assets and payrolls. The threshold at which the state would start paying its rebate would rise from the first 3.5 per cent of the tax to 4 per cent. The change would save the government, and cost the companies, FFr4bn.

Mr François Perigot, the Patronat president, last week called the measure "counter-productive" because it would discourage both employment and investment, thanks to the way the tax is calculated. Employers say they are dismayed to see a conservative prime minister – Mr Edouard Balladur – reverse the steady trend over the past decade, mostly by Socialist governments, to reduce the corporate tax burden.

But Balladur aides counter that French companies are now sufficiently flush with cash and committed to planning for economic recovery to be now deterred from hiring or investing by the minor tax increase. French companies should recognise that their "Balladur balance sheet" is positive, said one aide, because they gained a cash injection from faster value added tax reimbursement last year and will be relieved of FFr17bn in family allowance charges this year and next.

Mr Nicolas Sarkozy, the budget minister, yesterday claimed that the increased burden of the "professional tax" would fall only on large businesses and would not affect companies with annual sales of less than FFr50m. The CGPME, the industry association which represents small and medium-sized businesses, said it was reassured by the minister's statement.

Mr Balladur's budget may spark some dissent within his conservative majority in parliament, where some deputies would like to see cuts in income tax as well as welfare charges while others may take up business complaints. But such concerns are unlikely to drive them into the rival presidential camp of Mr Jacques Chirac, who has been urging the government to pay more heed to social concerns – a point Mr Balladur hopes to blunt in his budget by giving the biggest spending increase to the labour ministry.

This year's squabbles between ministers over whose departmental budgets should bear the brunt of austerity were described by a Balladur aide as "a harder battle" than last year, when spending for public housing and works was increased to counter recession.

But ministers were said to have been unanimous on the need for overall restraint on current budget spending, out of recognition of the other two looming problems of servicing a greatly increased state debt and of plugging the social security deficit. The latter is supposed, in France, to be met by employers and union, but at nearly FFr60bn it is increasingly beyond their means to cope with.

At end-1993 the total French public sector deficit, including social security, was nearly 6 per cent of gross domestic product, while the Maastricht target is for it to be within 3 per cent by 1997.

Other measures in the budget include tax rises of 4 per cent on leaded, and 6 per cent on unleaded petrol. The government has felt able to abandon recent practice of fiscally favouring the unleaded variety, because its increasing use is mandated by European environmental rules anyway. The government has also hit on a ruse of gaining more money from tobacco without upsetting "the smokers' vote" next year. The tobacco companies are to said to have made a "spontaneous" decision to raise their prices by about 7 per cent, a move that should bring an estimated FFr4bn in extra tax receipts.

LE PEN ANNOUNCES PRESIDENTIAL CANDIDACY

Mr Jean-Maria le Pen, the leader of France's extreme right National Front party, yesterday said he would stand as a candidate for next year's presidential election, becoming the first French politician officially to throw his hat into the ring for the spring contest, John Ridding writes.

Mr le Pen, who advocates tough anti-immigration policies told a rally of about 10,000 party faithful that he would also make the fight against corruption a central plank of his campaign.

"We must pursue the corrupt and deliver them to justice," he said, reinforcing the view that a recent spate of investigations into politicians and businessmen could become an important election issue.

In last year's general elections, the National Front won about 12 per cent of the votes, compared with a peak of 14.4 per cent support in presidential polls in 1988. Support for Mr le Pen's party slipped to about 10.5 per cent in June's elections for the European parliament.

Mr Philippe de Villiers, whose anti-Maastricht list took votes from the National Front and won a surprising 12 per cent of the votes in the June poll, hinted at the weekend that he might also stand as a candidate in the presidential elections.

The strongest potential candidates on the political right have yet to announce their intention to stand in the elections: Mr Edouard Balladur, the prime minister, and Mr Jacques Chirac.

Leaders see rising inflation as country's biggest problem

China announces price curbs campaign

By Tony Walker in Beijing

China is redoubling its efforts to contain inflation with e new campaign to curb rises in the prices of grain, cotton and chemical fertiliser.

Along with this announcement at the weekend, Beijing also promised a drive to recoup unpaid taxes, in order to overcome an expected revenne shortfall this year. Tax receipts have fallen well short of expectations. The government also said it was strengthening its prices surveillance to "stop unauthorised rises in grain, edible oil, meat, eggs and vegetables".

The latest anti-inflation drive reflects deepening official concern over signs of e renewed acceleration of prices following some slowing earlier this year.

Figures published last week by the State Statistical Bureau showed thet consumer prices in China's 35 main cities rose 27.1 per cent during the year to August, compared with 24.2 during the year to July. The July-to-August Inflationary surge prompted an announcement by a worried leadership that fighting inflation would be the government's main priority for ths rest of this year.

In his work report to the annual session of China's parliament this year, Premier Li Peng said the government would strive to contain price rises nationally to 9 per cent; but that figure has since been revised to 15 per cent.

This compares with a rise in the national retail price index of 13 per cent last year.

Western economists say the government will have its work cut out to bring inflation below 20 per cent by the end of the year.

Meanwhile, one of China's top tax officials has sounded the alarm about difficulties collecting taxes under a new tax regime introduced at the beginning of this year.

Mr Xiang Huaichen, deputy director of the State Administration of Taxation, said tax inspectors were being urged to step up their efforts to retrieve unpaid taxes.

According to Mr Xiang, taxes collected from industrial and commercial sectors, which account for the bulk of taxes, were just 64 per cent of the total due in the first eight months of the year. "We face a hard task getting the remaining 36 per cent in the next four months," he told the official Xinhua news agency.

China budgeted for a deficit of Yn66.9bn (£5bn) this year, but total obligations, including debt service, will exceed Yn100bn. Unexpectedly low tax receipts are putting pressure on the budget.

A senior Chinese economist has warned of the risks to agricultural production of the loss of arable land.

Mr Li Jiange, deputy director of the State Securities Regulatory Commission, blamed "inadequate agricultural prodnction" for pressure on prices. China was losing 270,000 hectares of arable land each year while adding 14m citizens, he said.

Beijing to step up Gatt claims

By Tony Walker

China this week steps up its efforts to win crucial US backing for its membership of the General Agreement on Tariffs and Trade during talks in Geneva.

Mr Long Yongtu, China's Gatt negotiator, said Beijing's latest package presented in talks last month with the US contained significant concessions, especially in the proposed phasing out of non-tariff barriers on agricultural products.

Officials in Beijing are describing as "crunch time" the latest round of discussions on China's application to re-enter Gatt and become e founder member of its successor body, the World Trade Organisation. The US, which has been entrusted with responsibility for negotiating terms for China's Gatt entry, has said Beijing still has some distance to go before it fulfils requirements.

US official have been focusing on the "national treatment" issues under which Gatt contracting parties are expected to accord one another similar market access privileges.

American negotiators have been complaining ebout China's relnctance to agree to a timetable for reciprocal access to such areas as services, including banking and insurance. The US wants to avoid repeating what is known as the "Japanese mistake" under which the US contends that Tokyo was allowed into the world trading body on "soft terms" enabling it to maintain its closed trading system.

China last month presented a 900-page proposal for discussions with US officials. Negotiations are expected to last through October. Western officials doubt negotiations can be completed in time for Beijing to be a founder member of the WTO, if that body comes into effect as planned at the beginning of 1995.

Bnt China, which was an inaugural member of Gatt in 1949 before withdrawing in 1950 after the communists came to power, is insisting that its growing weight es a trade power makes it imperative that it be admitted to the world trading body. Mr Long, a vice minister of the Ministry of Foreign Trade and Economic Co-operation, said China's new Gatt package included undertakings to phase out the remaining 784 items covered by non-tariff cootrols. He said China was not seeking special privileges in the new world trading system.

Beijing has proposed that as a developing country it be allowed e transition phase to tailor its economy to Gatt requirements. The US has shown little enthusiasm for this proposal, but is expected to agree to such an arrangement in the end.

US official to visit Pakistan

By Farhan Bokhari in Islamabad

Ms Hazel O'Leary, the US energy secretary, is to visit Pakistan this week in an initiative to promote US investments in Pakistan.

Ms O'Leary will head e delegation of more than 70 leading businessmen with interests mainly in the energy sector. Mr John Monjo, the US ambassador to Islamabad, described the visit as "e forward-looking event" in encouraging private American investments.

The two officials played down concerns thet prospects for new investments were limited until Pakistan and the US resolve their dispute over Islamabad's controversial nuclear programme. Washington cut off aid to Islamabad three years ago amid concerns that Pakistan was producing nuclear weapons – e charge denied by Pakistan.

Although Ms O'Leary is not expected to sign any fresh aid agreements, her visit will help encourage US businesses to consider investing in Pakistan, officials from both sides said.

Mr Monjo said prospective investors were encouraged by Pakistan's economic liberalisation programme, which had remained intact despite five changes of government last year. He also said a new energy policy, announced by the government this year, was attracting new investors.

Pakistani officials expect the two countries to sign fresh joint venture investments worth up to $2bn by next summer. If those forecasts prove accurate the extent of US investments in Pakistan could rise substantially. in the past 46 years, US businesses have invested up to $450m in Pakistan.

According to Pakistani energy officials, new commitments to support investments of up to $5bn have been received by the Ministry of Water and Power in Islamabad since the energy policy was announced.

If those projects are executed, they will add almost 5,000 megawatts to Pakistan's existing power generation capacity of approximately 9,500MW.

Singaporeans weary of the high cost of driving

The price of running a car in the cramped island state has risen again, reports Kieran Cooke

Thinking of buying e new car but shocked by the expense? Take comfort. You could be living in Singapore.

A Jaguar XJ3.2 costs about S$320,000 (£139,000) to put oo tbe road in Singapore. The equivalent model in Britain costs around £28,000. At the other end of the market, a Proton manufactured in neighbouring Malaysia costs about S$95,000 to drive in Singapore. In Britain a Proton can be picked up for under £7,000.

Import duties and other taxes take their toll but priciest is the fast accelerating cost of a government Certificate Of Entitlement (COE), the vital piece of paper that allows you to take your already expensive machinery on to the road.

Singapore bas 2.8m people squeezed on to an island of only 240 square miles. Determined to avoid the traffic chaos of Bangkok and many other Asian cities, the government brought in the COE system in 1990 in order to control the car population. The government releases only a certain mumber of COEs eacb year. A new car cannot be registered without one.

COEs are obtained by dealers and the public througb e monthly bidding system with the government. If 8,000 people are bidding for 4,000 COEs available, the government fixes the COE cost at the level of the lowest successful bid.

On Friday the government announced the prices for October COEs. In future Singaporeans will have to dig even deeper into their pockets to experience the joys of motoring. Over the past month e COE for the higger, more luxurious models has gone up by S$10,000 to S$94,000. COEs for smaller engined cars have gone up by about S$5,000.

Mr Philip Eng, managing director of Cycle & Carriage Industries, the company which has the franchise for Mercedes and various other makes in Singapore, says people thought S$1,000 was a lot to pay for a COE four years ago. "No one ever expected the price of the certificates to go up so fast," says Mr Eng.

"But what is really amazing is thet the market is still growing. In the case of some cars we can't get deliveries fast enough."

A top of the range Mercedes S class costs about sbout S$330,000 in the Singapore showroom. But add on a new COE and the price comes to around S$420,000. The same car in Germany costs around DM100,000 (£41,000).

At the lower end of the market a Proton's showroom price will be aronod the S$45,000 mark. Add in the cost of a COE and the price will more than double.

According to Mr Eng, "The prestige level of owning a car here is much higher than in Europe or the US. Here, all the extras we fit in our cars, like stereos or the npholstery, have to be top of the range."

Mr Eng says that with about 12 per cent of the total car market, Mercedes has a blgger market share in Singapore than anywhere else in the world.

He says that demand well exceeds supply for C class, the compact Mercedes range. Sales of the S class vehicles are growing and now running at about 500 a year.

But while incomes of Singaporeans have risen sharply in recent years, owning a car is an impossible dream for many people. The rapidly rising costs of cars has become a political issue.

The COE system brings billions of dollars into the exchequer each year. However, the government is criticised for what is seen as an inequitable system.

One government critic asks: "What about the market trader or hawker? They need cars more than the Towkays [big businessmen] and their Tai Tais [ladies of leisure]."

India lays down tight telecoms rules

By Stefan Wagstyl in New Delhi

India et the weekend laid down tougb terms for the entry of private companies, including foreign groups, into the country's telecommunications market.

The government, which said in May it was ending the state's monopoly of basic telepbone services, had raised bopes that it would set attractive conditions for entrepreneurs because it is seeking substantial investments of up to Rs230bn (£4.7bn).

But opposition from officials and workers in the telecommnnications department has persuaded the government to impose important restrictions. In addition, crucial issues such as revenue-sharing arrangements between tbe private operators and the state service have yet to be settled.

Under tbe new policy, announced by Mr Sukh Ram, ths telecommunications minister, private companies will be limited to providing local networks. They will be barred from operating the much more locrative long-distance and international services.

Foreign companies, whicb are expected to contribnte most of the technology and expertise to the new carriers, will be limited to a 49 per cent stake in an Indian carrier.

Companies will be free to bid for licences in 18 regions, which ronghly correspond with states. Only one private carrier will be permitted to nperate in each region, and will compete with the existing state-owned service. Licenceholders will have to offer lines in rural districts as well as the far more lncrative towns and cities.

The licences will run for 15 years and there will be no restriction on the number ewarded to any one company. Mr Sukh Ram said bids would be invited in the next two or three months and he hoped the first private carrier would start operating to 1995.

Mr Snkh Ram also announced the establishment of e regulatory body, called the Telecom Regulatory of India, which will oversee the private operators.

The new guidelines evoked a mixed response from the industry. While there was relief that the announcement brought forward the day when private operations might start, there was disappointment about the conditions of entry and the fact that revenue-sharing and tariff arrangements have yet to be decided.

Mr Amit Sharma, head of the Indian office of US electronics group Motorola, said: "The policy of opening up basic services on a limited scale is clearly disappointing. In most countries when basic services are opened np, the long-distance and international lines are the first to be opened, as these are seen to cross-subsidise tbe local services."

● India is partly liberalising its pharmacentical industry, taking measures to let foreign companies take majority stakes in their Indian ventures. Foreign groups will be able to own up to 51 per cent of an Indian pharmaceuticals company, according to Mr Ram Lakhan Singh Yadav, the minister for chemicals and pharmaceuticals.

Stephen Chan (right), with his panda mascot, canvasses support in his campaign for district board elections in Hong Kong, the first democratic poll in ths British colony Reuter

Hurd takes trade plea to Tokyo

By William Dawkins in Tokyo

Britain will today urge Japan not to cut it, or any other nation, oot of a trade deal between Tokyo and the US.

The UK's concern, shared by other European Union member states, will be voiced by Mr Douglas Hurd, the foreign secretary, in meetings with Mr Tomiichi Murayama, the Japanese prime minister, and with the ministers responsible for trade, finance and foreign affairs.

Mr Hurd's three-day visit, ending tonight, is the latest annual high-level political consultation between Japan and the UK. It is his first personal contact with the new three-party coalition government, which took power in June.

Trade matters, including the role of the future World Trade Organisation, are at the top of his agenda. But Mr Hurd is also aiming to range widely over foreign policy issues important to both countries.

He is expected to register gratitude for Japan's discreet diplomatic advice to China to try to be calm in the bumpy lead-up to the transfer of power in Hong Kong. Japan's bid for membership of the United Nations security council, now supported by a previously wary Britain, and North Korea's nuclear ambitions may also crop up.

On trade, Mr Hurd is expected to remind his hosts of British support for Japan's opposition to US demands for numerically targeted increases in its share of Japan's domestic market. Tokyo and Washington are struggling, with little success, to reach e framework trade and economic accord before the September 30 deadline after which the US has threatened to start sanctions proceedings.

At the same time, Mr Hurd will voice UK concern that Japan and the US will be tempted to strike a purely private deal, a serious worry to exporters of car components. Overall British exports to Japan rose by 17 per cent to £1.4bn in the first half of this year.

There ere long-standing bilateral trade disputes, on which Mr Hurd is expected to remind Japan that Britain is dissatisfied with the small progress made in recent years. These include tax on imported whisky, still much higher than Japanese spirits, the continued ban oo foreign law firms hiring Japanese partners, and barriers to competition in insurance and other financial services.

Companies in shadow of gun

Squeezed by new laws curbing racketeering, Japanese gangsters may be stepping up violence against business, reports Gerard Baker

The murder last week of e senior executive of one of Japan's largest companies has brought into alarmingly sharp relief the activities of the country's organised crime syndicates. Police suspect that the killing may be the latest episode in what they believe to be an escalation of the war between tbe racketeers and Japanese corporations.

The body of Mr Kazufumi Hatanaka was discovered by neighbours outside his apartment in Nagoya, Japan's fourth largest city, 120 miles west of Tokyo. He had been shot once through the head. Mr Hatanaka was the director of Sumitomo Bank's Nagoya branch.

Police have traced no motive and ideotified no suspects, but the circumstances of the killing and the use of firearms, which are severely restricted in Japan, suggest the involvement of organised crime.

Immediate speculation, thet police did little to dispel, focused on the relationship between Sumitomo Bank and some of its less salubrious customers. to the "bubble" years of the 1980s Sumitomo, like most other Japanese commercial banks, advanced vast sums in property-related loans as land prices soared. When the property market collapsed in the early 1990s, the bank was left with a mountain of bad debts, which reached a peak of more than Y1,100bn (£7.2bn) e year ago. At the large Nagoya hranch, Mr Hetanaka was closely involved in the collectioo of bad loans, and police suspect it may have been this aspect of his work that cost him his life.

The murder comes 18 months after the bank and related companies in the Sumitomo group, one of Japan's largest business conglomeretes, were the victims of a remarkably concentrated series of attacks. Between February and May 1993 assaults on the companies ranged in seriousness from the practical joke – glue in the keyholes of several bank branches – to the violent crime – shootings and firebombings at brancbes across Japan.

But police indicate that they have found no conoection between these incidents and the murder of Mr Hatanaka. There are important difference between last year's attacks and Wednesday's killing. The attackers last year stopped short of inflicting injuries on Sumitomo employees, and there had been no repeat of the incidents since May 1993.

Police believe the Nagoye shooting fits e more recent and more alarming pattern of violent crime by organised gangs. In a little over a year, three senior executives of Japanese companies have been murdered. Mr Hatanaka's death was preceded in February by the murder of a manager of Fuji Photo Film, stabbed to death by samurai-sword-wielding assailants in front of his home in Tokyo, and in August 1993 by tbe shooting of a vice-president of Hanwa Bank. The common elsment in all three murders could be that the victims were all trying to resist demands from crime syndicates.

In the last two years, police believe, criminal groups have been hit hard by the combined effects of tougher legislation and economic recession. For many syndicates the principal source of revenue is extortion. Racketeers, known as *sokaiya*, extort money from companies in return for agreeing not to disrupt annual shareholders' meetings with embarrassing questions about the behaviour of company executives. Such extortion inhabited a grey area of Japanese criminal law and in the past it was not unusual even for blue-chip companies to reward *sokaiya* handsomely for their discretion.

But in 1992 legislation was passed thet began to curb the activities of the gangs. The principal effect was to define much more clearly the criminal activity of racketeering. As a result companies, conscious of the less ambiguous legal consequences of their actions, have grown less willing to acquiesce to the demands of the groups.

At the same time, economic conditions bave militated against the gangsters. Japan's longest recession since the second world war has left many companies simply unable to meet their demands, irrespective of their legality.

Intimidation by the *sokaiya* has, in tbe past, rarely extended to the extremes of physical violence seen in the last year. If organised criminal gangs are ratcheting up the level of their intimidation of company executives to the ultimate penalty, the euthorities' deepest fear is that few companies will prove determined or brave enough to resist.

NEWS: INTERNATIONAL

Cuba acts to end chronic food shortfall

By Pascal Fletcher in Havana

Cuba, moving to resolve chronic food shortages which have caused discontent among its population, will soon introduce markets where atate farms and individual farmers will be able to sell excess produce after fulfilling established government production quotas.

The weekend announcement of tbe change in policy was made by Cuban defence minister General Raul Castro, brother of President Fidel Castro and the number two in the ruling Cuban communist party hierarchy.

The announcement signalled another step in Cuba's cautious moves to introduce limited market reforms to its centrally run state economy.

The changes are expected to follow the lines of similar farm reforms already introduced by China and Vietnam. Gen Castro said solving the food crisis was a priority for the government. While the agricultural markets would have regulations and taxes, "supply and demand should basically operate", said Gen Castro, saying the govarnment would not involve itself in setting prices. Prices would in any case be much lower than those existing on the hlack market, he said.

The production of food, especially staples like meat, rice, beans, fruit and vegetables, has been a particular black spot in the Cuban economy since the collapse after 1990 of trade and aid ties with the former Soviet bloc. Starved of inputs like fertilisers, herbicides and tractor spares, farm production, including strategic sugar exports, has fallen sharply, a situation made worse by adverse weather.

Other factors were inefficiency, wastage of resources and lack of price incentives for farmers obliged to sell exclusively to the state, foreign diplomats said.

Popular pressure had grown for the liberalisation of food production, but the topic was surrounded by agonised ideological debate at the highest levels of the party.

In the first half of the 1980s, Cuba introdnced e similar experiment with so-called "peasants' markets" where farmers could sell vegetables, fruit, pork and chicken.

But these were shut down after President Castro complained they led to the excessive enrichment of some individuals, especially middlemen who bought and re-sold produce. Raul Castro'a announcement was the first public acknowledgement that the farm reforms were imminent, but senior officials said more than 70 markets were already operating experimentally around the island, excluding Havana city.

One such "pilot" market was operating at San Nicolas de Bari in Havana province, where farmers at the weekend directly sold rice, avocado, bananas and yucca (manioc root) to the public.

Since the 1960s, small private farmers have made commitments to sell previously agreed upon quantities of prodnce each year to the government.

Investors relieved at $5bn Exxon award

By George Graham in Washington

Exxon's ahare price is expected to rise when trading begins today following a federal jury's award of $5bn in punitive damages against the oil company for the 1989 oil spill from its tanker Exxon Valdez.

Financial analysts expected the news to cheer investors, who have been concerned that damages for the Exxon Valdez spill, which devastated Alaska's Prince William Sound, could run as high as $15bn.

The damages award is one of the last phases in a drawn-out legal battle over Exxon's liability for the Exxon Valdez wreck, which destroyed fish stocks and wildlife with an oil slick of more than 250,000 barrels.

When the jury verdict was announced late on Friday in a federal court in Anchorage, Exxon shares rose hy $1.50 to a New York close of $60.25, and further gains were recorded in trading after hours.

Lawyers for the plaintiffs said they were "ecstatic" about the award.

The 80 law firms involved are expected to reap more than 20 per cent of the money.

Mr Lee Raymond, Exxon's chairman, denounced the award as "excessive by any legal or practical measure."

"We will use every legal means available to overturn this unjust verdict, which is not a final judgment," Mr Raymond said.

"It will be reviewed and we trust it will be modified by the trial court or by appellate courts."

Legal experts said Exxon could either seek to have the award reduced by the courts, or use it as a ceiling for a negotiated settlement with the thousands of fishermen, native Alaskans and landowners who brought the claim.

Exxon has spent $2.1bn on cleaning up the spill and paid $1.3bn to settle a range of civil and criminal charges brought by federal and local governments, residents and businesses.

In this suit, the jury last month awarded $287m in compensation for the damage caused by the oil slick to fish stocks.

But the jury found that Exxon and Mr Joseph Hazelwood, captain of the Exxon Valdez, had acted recklessly, paving the way for additional punitive damages. Plaintiffs had claimed up to $15bn.

Other cases involving crab fishermen and native Alaskan corporations are still pending, with some of the claims being heard in state court.

The jury also ordered Mr Hazelwood to pay $5,000 in punitive damages, even though the plaintiffs had only asked for a symbolic $1 award against the tanker captain.

Mandela to hold Zulu talks

Mark Suzman on a rift between the King and Chief Buthelezi

President Nelson Mandela today holds talks with two of South Africa's most infnential Zulu leaders in a bid to defuse growing tensions in the tribal region.

Zulu King Goodwill Zwelithini is at odds with Inkatha Freedom Party leader and Home Affairs minister Chief Mangosuthn Buthelezi, who is also the King'a traditional prime minister, over an invitation the monarcb issued to President Mandela to attend next Saturday's Shaka Day ceremony in Ulundi, the Zuln capital.

Chief Buthelezi has objected to President Mandela'a presence at the celebrations, held annually to commemorate the great nineteenth century Zulu monarch, on the grounds that proper protocol was not followed when the formal invitation was made directly to the president instead of being routed through him as the King'a chief minister.

The invitation is seen as part of a strategy adopted by the King to reduce his dependence on Chief Buthelezi's Inkatha Freedom Party hy building np independent links with tha African National Congress and thereby setting himself up as an apolitical tribal monarch.

Eveo if compromise is reached on the Shaka Day issue, the controversy is still damaging to the minister as it tarnishes his image as the King's main political ally.

In the run up to the April elections, Chief Buthelezi, who is a member of the royal family and uncla to the king, portrayed himself as the main defender of the Zulu monarchy in order to boost his Inkatha Freedom Party's stature among conservative Zulus.

Since then, however, King Goodwill appears to have grown dissatisfied with his role as a virtual puppet of his uncle and there has been speculation that he may dismiss Chief Buthelezi from his role as prime minister to the King and replace him with another royal family member more sympathetic to the ANC.

In other signs of tension, the King recently replaced his KwaZulu police bodyguard, eppointed by Chief Buthelezi, with national police officials and at the weekend the Chief failed to turn up to the annual reed dance festival in Nongoma, near Ulundi, at which he traditionally accompanies the King.

Zulu King Goodwill (left) at odds with Buthelezi Reuter

INTERNATIONAL PRESS REVIEW

Politicians ready for next stage of 'ice hockey' war

QUEBEC

By Bernard Simon

Mr Jacques Parizeau often compares his Parti Quebecois' struggle for independence from Canada to the three periods of an ice bockey game.

The first period ended with last October's natlonal elections, wben separatists gained a powerful voice in tbe federal House of Commons by becoming the official opposition with 54 MPs. The second period was last Monday's provincial election in Quebec, in which the PQ boped to galn a strong mandate to lay the groundwork for its planned breakaway.

If Mr Parizeau's dreams come true, the final period has now begun, and will culminate in a big Yes vote in an independence referendum some time before the end of 1995.

With the start of the hockey season just a few weeks away, it wasn't surprising that many Quebec newspapers took up Mr Parizeau's metaphor to comment oo the outcome of last Monday's poll. The PQ won 77 of the 125 seats in the National Assembly, but gained only 44.7 per cent of the popular vote, just a fraction more than the defeated Liberals.

The Quebec media, by and large, has tended to sympathise with the nationalist cause. But several of the province's most influential commentators see the hockey game developing somewhat differently from Mr Parizeau's scenario. "The third period will be long, rough and chaotic," wrote Mr Gilles Lesage, in Le Devoir, Quebec's highbrow, French-language paper.

A cartoon in another paper showed Mr Parizeau and Liberal leader Daniel Johnson in hockey gear, facing off for the third period. Neither of the two men carried a bockey stick.

Referring to the 1980 referendum on a loose form of "sovereignty-association" which was held when the PQ was last in office, Mr Lesage noted tbat "there's tbe risk of Quebec being broken in two as it was 15 years ago, as it turns towards a nightmare in whicb no one wins."

The unexpectedly low proportion of Quebeckers who voted for the PQ is widely interpreted, at least for the time belng, as evidence that the separatists face an uphill struggle in the referendum campaign.

Lysiane Gagnon, a columnist for La Presse in Montreal, noted that even fewer people would have voted in favour of independence last week than supported the PQ. She concluded that "the PQ must convert more than 10 per cent of the electorate in less than 15 months: soft federalists, lukewarm nationalists, third-party supporters..."

Under the headline "Parizeau cornered", Le Soleil, Quebec City's main daily, advised Mr Parizeau to conceotrate on such bread-and-butter issues as control of government spending, job creation, health care and education.

Michel Auger, political columnist for the tabloid Journal de Montreal – which devoted a numbing 20 pages to its day-after coverage of the election – agreed that the Liberals have the upper hand as the third period gets under way.

But Auger cautioned that the federalist forces should not rejoice too soon. "On the highway to sovereignty, there will be numerous opportunities for flat tyres, and one has often seen broken-down buses which have found a way to arrive at their destination."

The separatists will be counting on English-speaking Canadians, especially in faraway western provinces, to prove that the rest of the country would prefer Quebec to leave. However, editorial writers in western Canadian cities were remarkably restrained in their early reaction to the election.

"All Canadians, within and outside Quehec, should take this opportunity to quietly reaffirm the successes – the cultural richness, the economic well-being, the social harmony and the political security – which have come with Confederation," said the Calgary Herald. "For those benefits, Quebec's ambivalence and its need to test its national identity are a small price to pay."

The Globe and Mail, which calls itself Canada's national newspaper, struck a hopeful note about the future. An editorial, titled "The Genius of Canada", suggested that "Canada has far more strength and commands far more loyalty among its many communities than the chattering classes generally understand."

But in case anyone is naive enough to assume that the coming referendum will mark the end of the interminable wrangle over Quebec's place in Canada, a cartoon in New Brunswick'a Moncton Times-Transcript shows a man in the year 2094, fast asleep on his sofa. A voice from the TV set in front of him intones: "And in today's news. . . Canada has again failed to separate from Quebec."

NEWS: HAITI

Carter: world trouble-shooter extraordinaire

Jurek Martin on the man who was catapulted into Haiti at the eleventh hour

Even by his own standards, this was oot exactly a cormal weekend in the extremely husy life of former President Jimmy Carter.

Mr Carter himself was in Port-au-Prince at the head of the US delegatioo seeking a last minute solution that might prevent the fully-fledged invasioo of Haiti.

From the other side of world, the North Korean capital of Pyongyang, came word that Kim Jong-il was seeking his services to arrange a summit between himself and President Kim Youog-sam of South Korea.

The list of the former presideot's international mediatioo oo the last five years is quite extraordinary, beginning in 1989, when he helped broker the settlement in Ethiopia that led to the independence of Eritrea. In 1990, he led international monitoring teams covering the elections in hoth halves of the island of Hispaniola – the Dominican Republic and Haiti. It was during the latter that he estahlished a relationship with Lt Gen Raoul Cedras, then in charge of security for the elections and nine mooths later leader of the coup that removed Presideot Jean-Bertrand Aristide. The two have remained in touch in receot weeks.

In 1991, be was a principal monitor of the elections in Zambia, in 1992 Guyana and in 1993 Paraguay. Earlier this summer, in Pyongyang, he managed to persuade Kim Il-sung, the late North Korean dictator, to reopeo negotiations with the US that, for the moment, have defused tensions over the ouclear question.

These are merely the most visible of his activities, along with his domestic good works, mostly ceotred on building affordable puhlic housing for the poor.

As a result, Mr Carter, buried under the Reagan landslide of 1980 after one term in office, has re-estahlished himself as one of the most respected Americans of the current generation. His public standing is oow far higher than that of former President Reagan.

He has not always been a predictable envoy. Administration officials were coocernad that, in his North Korean mission, he did not always appear to represent US government policy accurately. But they could oot deny that his efforts certainly bore fruit.

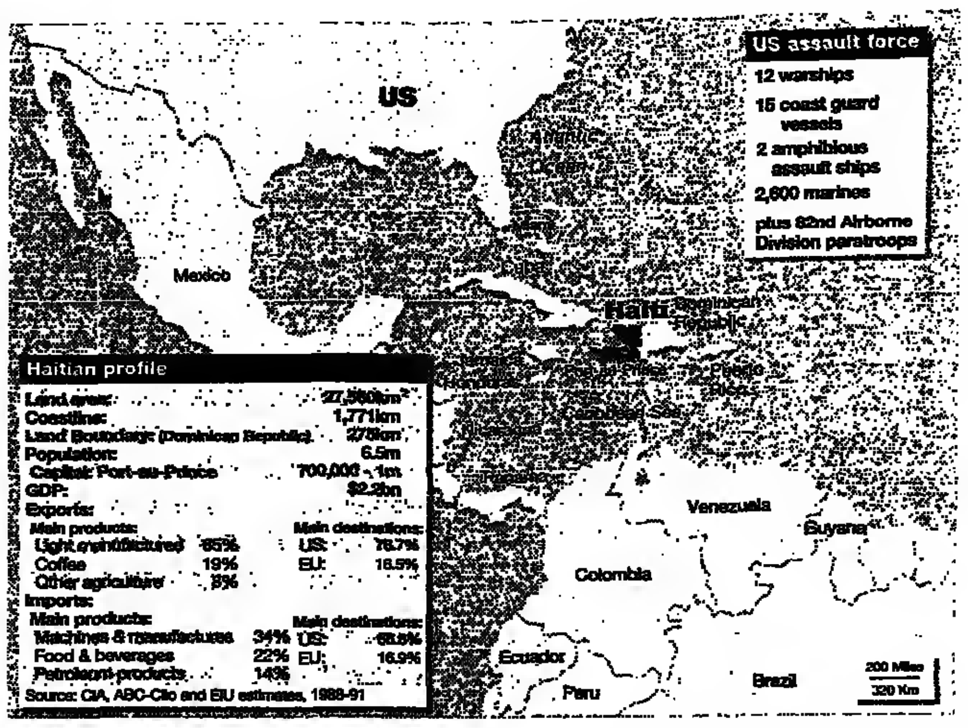
Like the other leading members of his Haitian delegation – Senstor Sam Nunn, the Democrat from Georgia who beads the armed services committee, and former General Colin Powell, previous head of the joint chiefs of staff – he has never public endorsed an invasion.

Mr Leoo Panetta, White House chief of staff, said yesterday that the composition of the team was decided between President Clintoo and Mr Carter. But the combination of Mr Carter's stature, his knowledge of Haiti and his independent streak has called into question the White House's insistence that his missioo to Port-au-Prince is limited only to the matter of arranging the departure of the junta, as demanded by Mr Clinton.

There was, for example, some surprise in Washington that the Carter delegation should have talked over the weekend with Mr Emil Jounaissant, installed by the junta as acting president. This gave rise to speculation that more wide-ranging discussions were under way.

But if his mission, as defined by Mr Clinton, succeeds and an all-out US military onslaught is avoided, Mr Carter will yet again be in credit. It is doubtful that the current president will be so lucky, either way.

Cedras: he has stayed in touch with Carter over the past few weeks Reuter



The country's economy is at rock bottom, report **Canute James and Stephen Fidler**

High hopes from Haiti's downtrodden

President Jean-Bertrand Aristide, if returoed to power on the back of American political pressure or invasion, will face a devastated economy and high ecooomic expectations from Haiti's poor majority.

In spite of a reputation as a left-wing liberation theologist, he has indicated to donors that he intends to introduce an ecooomic reform programme backed by an International Mooetary Fund standby loan.

According to a study hy the International Development Association, the soft-loan arm of the World Bank, the country will need some $550m (£354m) in foreign assistance in the first 12-15 months. Mr Aristide's officials have calculated some $770m in aid commitments over the same period, though it is not clear that the type of commitments exactly meet assistance needs.

The US has indicated it will provide some funding, while traditional donors such as Canada and France will also contribute, along with the international financial institutions led by the IMF. Some funds will come from the unlocking of Haitian foreign assets which have been frozeo as part of the economic embargo.

Mr Rainer Steckhan, tha World Bank official leading aid efforts for Haiti, said the initial priority is humanitarian assistance and poverty relief. Per capita income has dropped unremittingly since the early 1980s with a precipitous decline in living standards in 1992 and 1993, in the face of international economic embargoes following the 1991 coup. Half the 7m populstion is receiving just 75 per cent of outritional requirements; one in 10 babies die before they are one-year-old.

> There has been a precipitous decline in living standards following the coup in 1991

The next step should be one of reconstruction and rehahilitation: rebuilding bridges, rural roads, port facilities, and public services such as waterworks. The World Bank estimates that in Port-au-Prince, a city of between 700,000 and 1m, only 50,000 people receive water from the water company.

The next priority is the development of infrastructure, in particular power generation and water treatment, which envisages an important role for privatisation and a reductioo of the role of the state in the economy. In rural areas, where initially some credit will be needed for smallbolders for example to boy seed, belp will be oeeded to reforest the country and prevent further soil erosion.

According to an assessment presented to donors in Paris last month by the IDA, a series of reforms to modernise the state is necessary. A cut in the size of the armed forces, perhaps to a fifth of their 7,500 strength, and creatioo of a proper police force are seen as the main priorities.

The number of public servants, estimated at around 45,000, should be cut and the civil service reformed. This should be accompanied by privatisation and deregulation, including an ending of exchange controls.

Some of these will be difficult and unpopular decisions. Public service has been traditionally used to offer jobs as a reward for political favours and the envisaged trade liberalisation will be resisted. The IDA has recommended that import restrictions be lifted and that tariffs removed, except those on rice, corn, beans and sorghum, which should be halved.

Economic improvement in the months after a change of power will depend on the speed at which important institutions can be rebuilt. The integrity of the commercial banking sector has beeo undermined by increasing interference by the monetary authorities seeking finance for the state. The position of the banking sector worsened last month after virtual raids by the central bank inspectorate, ostensibly to verify foreign currency holdings.

> The money printing presses have been used freely to finance the government

The country's fiscal accounts, usually in deficit, have depended in better times on ever increasing customs duties applied to a dwindling volume of imports.

The money printing presses have been used freely to finance the military government, leading to inflation and sharp currency depreciation. The gourde, Haiti's currency, has devalued 60 per cent since the start of this year. Inflation, 15 per cent in 1991, rose to 48 per cent last year, while unemployment is estimated at 55 per cent, although about two out of every three Haitians are not part of the formal economy.

The light manufacturing sector, based oo assembly for export – mainly of sporting goods, textiles and electrical appliances – has been killed by the trade embargo. A similar fate has overtaken export agriculture with coffee the main export. According to the IDA, Haiti saw its exports decline from $163m in 1991 to $72m in 1993, while imports fell from $300m to $173m in the period.

Successive administrations have defaulted on repayments on the foreign debt of $820m, and the country is in arrears to the international financial institutions by about $80m. These arrears will have to be cleared – probably by donors – before the IMF, World Bank and InterAmerican Development Bank can resume lending. The country will also need debt write-offs similar to that in July 1991 when France forgave $55m.

Any post-Cedras governmeot is likely to find itself under pressure to deliver quickly.

Mr Aristide's supporters, mainly from Haiti's poor majority, had expected an almost immediate improvement in living standards when he took office in 1991. His return will refuel these expectations.

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NEW DIRECTIONS FOR THE NINETIES

Turning the High Yen To Its Advantage

Tsutomu Kanai, President of Hitachi, Ltd., explains how his company has capitalised on the high-valued yen.

By Russell McCulloch

Mr. Tsutomu Kanai, *President, Hitachi, Ltd.*

McCulloch: While the Japanese economy slowly recovers, manufacturers such as Hitachi, Ltd. must cope with the negative effects of an appreciating currency. Has the strong yen brought any benefits?

Kanai: If you view the currency factor from a long-term perspective, the yen's appreciation against the US dollar is actually a reflection of the underlying strength of the Japanese economy and of the country's corporate structure.

If Japanese companies try to capitalise on the benefits offered by the strong yen over the long-term period—for example, by increasing overseas investments or by raising international procurement levels to reduce manufacturing costs—then the appreciating currency makes available numerous opportunities for expanding business.

In Hitachi's case, the strong yen has encouraged us to increase the level of overseas investment in production and marketing facilities. As a result, today the value of our offshore production is over ¥600 billion which is more than double the value of five years ago. The offshore share of our total sales is today 9 per cent.

McCulloch: Under the difficult business climate, what measures are you taking to achieve continued growth?

Kanai: Firstly, we're working very hard to reduce direct and indirect costs, including those of raw materials and components. Secondly, we're trying to simplify our corporate structure to make Hitachi more responsive to changing business trends. We're also restructuring our workforce to better match employees with the tasks they must perform.

In addition to these measures, in each division we're re-examining the competitiveness of products and re-assessing the future potential of markets. In this way, we can strengthen and restructure product development, production and marketing from a global point of view.

McCulloch: Could you give an example?

Kanai: From April of next year we will merge Hitachi, Ltd., with Hitachi Sales Corp., a subsidiary which presently handles the marketing of our consumer products. Through this merger, we will integrate the production and marketing of consumer products and strengthen our management capability in the area of conventional consumer products. At the same time, the merger should enable us to expand our business in the growing multimedia field through the advantages it will bring in the merchandising, mass production and marketing of consumer products.

McCulloch: Has the business downturn forced Hitachi to cut investment?

Kanai: Even in this difficult business period, we have embarked upon an aggressive investment programme though this is focussed strictly on those areas where we believe future growth will be strongest. For example, during the last fiscal year we allocated ¥95 billion for semiconductor-related fields which are now doing well, and particularly for 16 megabit DRAMs (Dynamic Random Access Memory). During both fiscal 1993 and fiscal 1994, we have set aside ¥30 billion to increase our production capacity for Thin Film Transistor (TFT) colour displays used in items such as portable computers. Demand for these screens is increasing dramatically.

During the past fiscal year, we allocated approximately ¥480 billion, or 7 per cent of total sales, practically unchanged from the previous year, toward research and development where our efforts are focused on information systems and electronics.

McCulloch: Hitachi, Ltd. has also been actively forging alliances with other companies offshore.

Kanai: This is quite correct and we're pleased with the progress we've made to date. In April of this year we concluded a technical collaboration agreement with IBM Corp. in the field of large scale computers. We're also working very closely with Texas Instruments in the development of 256 megabit DRAMs.

Translating global words into local action

European-produced semiconductors from Hitachi's Bavarian plant in Landshut.

Meeting the needs of the market

Hitachi sees the establishment of market-oriented business operations as the most important area of future activity, which is necessary to fulfil the company's commitment to the customer and to society.

The merger of Hitachi Sales Corp., and Hitachi, Ltd., announced recently, shows Hitachi's clear belief that the company is responsible for total customer satisfaction and demonstrates an acceptance that this can only be accomplished by covering every area, including design, manufacture, sales and customer service.

Hitachi believes that the merger will strengthen the group's business development in consumer products through the integration of production and sales organisations. The merger sends a clear message to customers, distributors and competitors alike that Hitachi is committed to presenting a total solution for customer satisfaction.

Here in Europe, Hitachi is now seeking to build on existing strengths and establish the best response systems to customers' requirements in every sector of business operation.

In the area of large-sized general purpose computers, for example, Hitachi has recently completed the restructuring of European sales channels to ensure a clarity of message and a unified approach to customers throughout the continent.

The establishment, in June, of an independent design company producing customer-specific micro-controllers and ASICs also clearly demonstrates Hitachi's belief in providing locally designed and produced items to respond to customer demands at the local level.

Hitachi is also buying high-quality European materials and products for use in Europe and elsewhere. This unified approach aims to provide a total European solution which meets customers' requirements based on the needs of the local market.

Hitachi's air conditioner plant near Barcelona, Spain, manufactures products for the European market.

Making products for Europe and beyond

More Hitachi products are manufactured in Europe than is perhaps known, as the company moves forward to providing locally-produced goods which meet European needs.

The Hitachi group of companies currently has 11 major factories throughout Europe, producing a wide range of commodities which include consumer products; audio and video tapes and floppy disks; computer peripherals; air conditioners; semiconductors; industrial materials; and construction machinery.

An excellent example of the company's commitment to manufacturing in Europe and the increasing growth of these operations is Hitachi's semiconductor plant in Landshut near Munich, Germany.

The factory began operations in 1980 and, since the spring of this year, has started to manufacture 16 megabit DRAMs, right from the initial production stage.

Hitachi also plans for all stages of micro-controllers and ASIC production to be handled from this European factory in future.

A more recent example of how Hitachi's commitment to global expansion and localisation has had an impact on Europe, and a clear illustration of the company's desire to meet the demands of the market by providing local solutions, is the new air conditioner plant near Barcelona, Spain, which was formally opened in May 1993.

The factory, which is now gearing up to meet its target of supplying all Hitachi air conditioners for the European, Middle Eastern and Southern African markets, gives a clear demonstration of Hitachi's desire to design, produce and market European products that meet the changing needs of customers in Europe and beyond.

In addition, Hitachi's Advanced Software Centre in Maidenhead, UK has just launched 'ObjectReuser', a market-leading tool for improving software development productivity. This is the first Hitachi software product to be produced in Maidenhead, and it is being distributed not only in Europe, but worldwide.

By presenting a total European solution, which addresses all aspects of design, procurement, manufacture, sales and customer aftercare, the company is committed to fulfilling its philosophy which calls for the company to be at the heart of the communities it serves and to improving the quality of life, now and in the future.

A history built on innovation

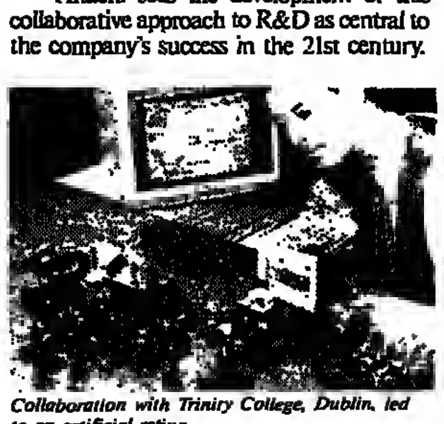
Despite today's tough business environment, Hitachi's commitment to research and development remains the bedrock of the company's activities, reflecting Hitachi's view of R&D as essential to the future growth of its business.

Hitachi has always emphasized R&D as the driving force for strengthening competitiveness, and since 1989, has established seven overseas R&D bases, including in Europe, Dublin, Cambridge, Milan and Munich, in order to further the company's level of basic research.

Excellent examples of successful collaboration have led to some remarkable achievements already. In cooperation with Trinity College, Dublin, for example, work on neural networks has led to the development of an artificial retina that can recognise moving or partly-obscured objects and brings the world a step nearer to a thinking computer.

Important breakthroughs such as this have been achieved through collaboration with European researchers and Hitachi is committed to ensuring that the credit for these European discoveries remains in Europe.

Hitachi sees the development of this collaborative approach to R&D as central to the company's success in the 21st century.



Collaboration with Trinity College, Dublin, led to an artificial retina.

Providing speech therapy equipment at Treloar College, Hampshire to improve the lives of people with speech impediments.

Towards a better tomorrow for all

Hitachi has been quick to back environmental concerns with action. Back in 1991, Hitachi established a **GREEN** Centre (Global Resources, Environment and Eoergy System Centre) to conduct research into environmental preservation technologies. Hitachi's corporate ecological plan is based on four issues; ozone layer protection; global warming; industrial waste management; and recyclable product design.

Hitachi has also engineered a plan to eliminate harmful chlorofluorocarbon use by the end of 1995 and is introducing more and more products that are environmentally friendly.

Hitachi's worldwide operations are complemented by a deep involvement in local community affairs in the areas surrounding the company's operations. In Europe, this has led to the establishment of an Open Learning Centre for the deaf in Birmingham, and a Speech Therapy Centre in Hampshire for children with speech impediments.

These and other community-based activities are undertaken not for commercial gain, but because Hitachi's primary aim is to improve society for all, by producing innovative technology and by making a positive contribution to the communities in which it operates.

Hitachi is making a dedicated effort to be at the heart of the communities it serves whilst remaining at the leading edge of tomorrow's technology.

Building on our success in Europe

Mr. Akira Koizumi
Managing Director, Hitachi Europe Ltd.
Director, Hitachi, Ltd.

Hitachi's overseas subsidiaries form part of a global network of enterprises all operating with a high degree of autonomy. These offshoots have developed into strong roots for the worldwide corporation that is Hitachi. This approach of localising the global corporation is leading to the production of market-oriented goods and is the foundation of Hitachi's global network. I believe a clear example of the success of this approach is amply demonstrated by the company's operations in Europe.

The depth of Hitachi's investment and activity in Europe, covering sales and production, as well as international procurement, technological alliances and cooperation in research and development, is the true measure of our commitment to the European community.

The Hitachi group of companies has 11 major manufacturing plants throughout the continent, which include a semiconductor plant in Germany, a computer products plant in France, a consumer products factory in the UK and an air conditioner plant in Spain.

These are truly European operations, with product design, production and marketing all handled locally. We are also buying high-quality European materials and products for use in Europe, Japan and elsewhere.

Hitachi is also investing in collaborative research, utilising the long tradition of innovative thought in Europe, whilst ensuring that discoveries made by European researchers remain the intellectual property of Europe.

Our R&D centres in Cambridge and Dublin are working on stunning new projects in artificial intelligence and electronic and optical devices. We also have design groups in Munich and Milan bursting with innovative ideas to meet personal and social needs.

Our philosophy of improving the quality of life through our activities extends beyond the business sphere because we realise that to survive and prosper, companies need stable, healthy communities. Central to every Hitachi operation is the belief that the company should make an active contribution to the local community and the breadth of Hitachi's investment and involvement throughout the continent reflects this dedication to the communities of Europe.

Hitachi's wholehearted commitment to this corporate responsibility to society, both locally and internationally in an industrial, economic, cultural and environmental sense, is the driving force behind every one of the company's activities in Europe and worldwide.

It is the pioneering spirit of Hitachi combined with our embrace of the company's responsibilities as a good corporate citizen that has led to our success in Europe.

By living and working in harmony with European society and the environment, we hope to achieve a balanced growth whilst striving to delight our customers, both now and into the next century.

HITACHI

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Guinness trial ruled unfair

By John Mason, Law Courts Correspondent

The legality under European law of the UK's procedures for the investigation and prosecution of fraud has been called into question by a European Commission on Human Rights ruling that the Guinness trial was unfair.

The commission has upheld a complaint by Mr Ernest Saunders, the former chairman of the UK drinks group, jailed for his role in the 1986 takeover of Distillers, that his prosecution was an abuse of the European convention on human rights.

The ruling, due to be published later this week, agreed his trial was unfair because evidence given by Mr Saunders under compulsion to Department of Trade inspectors was used against him in his trial.

The case is now set to go to the European Court for a final resolution. A win for Mr Saunders there would, most lawyers believe, have widespread implications for the fight against financial crime in the UK.

At the centre of the issue would be the "Section 2" powers of the UK's Serious Fraud Office which compel suspects to answer questions.

However, a European court judgment might also have a effect on the government'a recently introduced policy for combatting crime generally by restricting the "right to silence" of all suspects.

The government is expected to fight hard to maintain the current system of allowing the limited suspension of the right to silence. It is expected that lawyers will argue strongly that this provides an essential weapon against financial crime where investigations are particularly difficult to perform.


Ernest Saunders

However, the Commission's ruling was widely welcomed by defence lawyers specialising in white collar crime. Mr Rod Fletcher of Russell Jones & Walker, a London law firm, said: "It is extraordinary that a minority group – of financiers or businessmen accused of financial fraud – are discriminated against by our legal system.

"The right to silence is a fundamental safeguard of anyone accused of a crime. The onus is and should be always on the prosecution to prove guilt and there is no basis for violation of such principles." The three other men convicted and jailed for their parts on the Guinness scandal, Mr Gerald Ronson, Mr Tony Parnes and Mr Jack Lyons are understood to be considering their positions in the light of Mr Saunders' success.

Unit trusts set sights on China

By John Gapper

Britisb fund management companies will this week press the Chinese government to be allowed to participate in introdncing unit trusts to China as a means of lessening the volatility of share prices on local stock exchanges.

A mission to China by British Invisibles, the cross-sector organisation which promotes invisible UK exports, is to seek access to the domestic equity market for fund and management companies, including the asset management arms, of large UK banks and investment banks.

The 30-strong delegation, which will give seminars on aspects of regulatory policy and on financial practice in the city of London, will also press for a more certain framework of financial law in order to give overseas institutions certainty that their contracts are binding.

The mission is the sixth sent by British Invisibles since 1980, and comes amid a rapid growth in interest among financial institutions in gaining access to China. Foreign banks have been precluded from gathering local currency deposits or eelling Chinese shares to local investors.

Mr Robin Box, vice chairman of Kleinwort Benson, the UK investment bank, said thet the Chinese government had accepted that the development of a unit trust industry would help to curb stock market volatility.

Mr Fox said that banks and investment banks with funds management arms would try to persuade the government to allow them to take part in joint ventures with local companies. They could bring expertise in the principals of fund management and in technology.

Lord Alexander, chairman of National Westminster Bank, said that the uncertainty of Chinese law limited investment in the country. For example, banks were made more reluctant to lend by the difficulty of obtaining legally binding covenants on loans.

Mission leaders said they did not believe that UK companies were at a disadvantage because of disagreements over Hong Kong. Mr Fox said that odd cases of discrimination had occurred where "a local official did not want to create a rumpus".

Domestic share prices in China have fluctuated wildly this year. The government's statement that it would allow foreigners to invest in the "A shares", currently restricted to local investors, sent share prices up by more than 60 per cent.

Fraud office to question Nadir aide

By Charles Batchelor

A close associate of Mr Asil Nadir, the fugitive former head of Polly Peck International, is expected in London today to meet officials of the Serious Fraud Office and police.

Mrs Elizabeth Forsyth worked in London at South Audley Management, a company with links to the Nadir family, before fleeing to northern Cyprus three years ago. Her return has been timed to coincide with the fourth anniversary of the police raid on the company'a offices which precipitated the Polly Peck collapse.

The fraud office said yesterday: "We would like to talk to her." There is however no warrant out for the arrest of Mrs Forsyth and it appears unlikely that any attempt would be made to detain her when she lands.

The Jasmine Court Hotel in Kyrenia in northern Cyprus, where Mrs Forsyth had been staying and which is owned by Mr Nadir, said yesterday that she had left to take a flight to Britain and that she would not be returning for three weeks.

The fraud office denied that the way it dealt with Mrs Forsyth would have implications for its treatment of Mr Nadir, ehould be return from his self-imposed exile. Sourcee close to Mrs Forsyth had suggested that a failure to charge ber would mean the fraud office bad no case against Mr Nadir.

"Asil Nadir has skipped bail and is a fugitive from justice," the fraud office said. "There is a case ready to proceed against him and we are ready to try him when he returns."

Mr Nadir fled to Cyprus in May 1993 while facing 13 charges of theft and false accounting involving £34m ($53m).

The administrators to Polly Peck, a conglomerate with interests in fruit packing, packaging and electronics, are still attempting to conclude the sale of its main assets.


Whisky galore: thousands of casks lie maturing in Guinness's 250-acre complex in central Scotland. Tradition has it that the stocks are worth more than the gold in the Bank of England. Guinness, which reports its interim results on Thursday, tries to keep the precise location a secret.

Sinn Féin sees talks 'within weeks'

By David Owen

A senior member of Sinn Féin yesterday raised the prospect of talks before Christmas with the UK government, saying there was "absolutely no reason" why the two sides could not be involved in discussions "within a matter of weeks".

The prediction – by Mr Martin McGuinness, a member of Sinn Féin's executive – came as the hardline Democratic Unionist party indicated that last week's statement by UK prime minister John Major could pave the way for it to rejoin political talks with Mr Michael Ancram, the Northern Ireland minister.

But a DUP spokesman made it clear that the party did not accept that last month's IRA ceasefire announcement was not the result of a secret deal with the government.

Earlier this month, Mr Major ordered Mr Ian Paisley, the DUP leader, to leave Downing Street after he refused to accept the prime minister's assurances on this score.

While Sinn Féin indicated that Mr Gerry Adams, the party's president, was set to go to the United States for several weeks before the end of the month, Mr McGuinness said it was "quite clear" thet talks would take place "between all the parties".

"Hopefully this will happen before Christmas," he added. "It will be impossible for the British government not to enter talks with Sinn Féin, and it is only a matter now of when this will happen."

But in remarks made less than 48 hours after Mr Major lifted the government's broadcasting ban on Sinn Féin, Mr McGuinness said he was disappointed at a suggestion by Mr Albert Reynolds, the Irisb prime minister, that there would be no united Ireland in this generation.

"We should not take pessimistic views at this stage," Mr McGuinness said.

Commenting on Mr Major's promise last week to submit the outcome of political talks to a referendum inside Northern Ireland, Mr McGuinness said any settlement reached would have to be put to all the people of Ireland.

"It is quite clear that Irish nationalist opinion is agreed that there can be no internal settlement, that there can be no partitionist arrangement and there can be no veto for anyone."

Britain in brief

Lib Dems abandon neutrality

The Liberal Democrats yesterday in effect abandoned their professed neutrality between the Conservatives and Labour as senior figures insisted there were no circumstances in which the party could help sustain the present government in office after the next general election.

The decision by leading Liberal Democrats to dismiss publicly the stance of "equidistance" adopted since the 1992 general election brought an angry response from Mr Paddy Ashdown, the party leader, who said colleagues indulging in public debate on the issue were "wasting very important time". Mr Ashdown said at the start of the Liberal Democrat conference in Brighton that the party's main task was to entrench its own distinctive and independent identity as a powerful third force in British politics.

Rail dispute vote favours negotiation

In a breakthrough beralding the possible end of the three-month long rail dispute yesterday, signal workers' delegates of the RMT transport union voted unanimously at their annual conference to urge their union's executive to open negotiations as soon as possible on a future package for the signalling grades.

A union official denied this decision was a surrender. The RMT leadership has hitherto insisted there must be an interim pay rise for the signal workers as reward for past productivity before talks could begin on restructuring.

PO privatisation decision deferred

Leading supporters within the cabinet of privatisation of the Post Office are confident that the government will press ahead with a majority sale of the Royal Mail. But they believe formal approval for the sale of a 51 per cent stake in the Post Office may signal an indefinite delay in its controversial plan to open up the domestic gas market to competition.

A final decision on the Post Office sale will be deferred until the conclusion of the consultation period at the end of this month.

Bidders asked to talks on coal sale

Advisers to the government on coal privatisation start detailed talks with bidders this week with the aim of helping ministers select the preferred tenders next month.

N.M. Rothschild, the merchant bank, contacted the bidders immediately after the deadline for tenders last Wednesday to arrange appointments for the discussions. The government has said it will not necessarily choose the highest tenders. Rothschild is briefed to prepare for a handover of the assets by the end of this year.

John Bull sets sail for China

Romford brewery, famous for its John Bull bitter, is to be shipped off to China. San Miguel, the Philippines-based brewer, has bought the complete plant and will re-erect it about 100 miles south of Beijing.

GAIN AND FABLE

The greatest story never told

If the DTI report into alleged insider dealing by Lord Archer were published, it would probably become a best-seller to rival the success of the novelist himself. But the account is very unlikely to appear. Here, Robert Peston sets out what the investigators might have said

The Department of Trade and Industry's report into alleged insider trading by Lord Archer in Anglia Television shares would be a best-seller if it were published, perhaps rivalling the sales of the best-selling novelist's own thrillers.

However, publication of the real thing seems very remote. So in the interests of honest competition with Lord Archer's highly profitable works of fiction, a version of what the DTI inspectors might have written is present below.

The intention is to shed light on how and why in mid-January Lord Archer placed orders to buy 50,000 Anglia shares, days before an agreed takeover bid for the company was announced.

1 A brief history of Anglia Television

The company was incorporated in September 1958. Its main subsidiary, Anglia Televisinn Limited, is licensed by the Independent Television Commission to hold the broadcasting franchise for the east of England. In January, its board estimated thet in the year to December 31 1993, the company made profits before tax of at least £16m, including an exceptional credit of £5m, compared with £14.5m the previous year.

2 Lady Archer and the Anglia board of directors

On January 29 1987, Anglia Television announced that Dr Mary Archer, for ten years fellow and college lecturer in chemistry at Newnham College Cambridge, was joining its board. Her fellow directors describe her as "punctilious" and "very professional".

Dr Archer, as she prefers to be known, is also head of the Lloyd's hardship committee, which assesses whether penurious members of the London insurance market should receive financial support.

3 Lord Archer, fiction and the Conservative party

Dr Archer is the wife of the best-selling novelist, Lord Archer, formerly Mr Jeffrey Archer, who was created a life peer in 1992 and was deputy chairman of the Conservative party from 1985 to 1986. Mr John Major, the Prime Minister, is a friend.

Lord Archer has had a volatile career. He became Tory MP for Louth in 1969. However, he stood down in 1974, after a businessman, Mr Anthony Bamford, started bankruptcy proceedings against him, to recover funds that Lord Archer had invested in Aquablast, a Canadian company which turned out to be fraudulent. Lord Archer was financially ruined, but rebuilt his fortune when he discovered a talent for writing popular fiction.

4 Lord Archer, Broosk Saib, Kurdistan and the PM

In April 1991 Lord Archer became involved in fundraising for the Kurds of northern Iraq, by organising the Simple Truth pop concert. Through his visits to Kurdistan, he became friendly with Mr Broosk Saib, a young London-based Kurdish businessman.

Mr Saib, who is 32, controlled two companies, Broosk Estate Agents and Broosk Interior Designs, which were wound up in 1991. When liquidated, Broosk Estate Agents was unable to repay creditors owed £71,673.

From January 3 to January 9 of this year, Lord Archer travelled in Iraq to investigate the plight of the Kurds. On returning, he met the prime minister, Mr John Major, to give a report on their condition.

5 Anglia directors' share dealing code

On September 23 1992, the Anglia board adopted new rules "governing dealings by officers [which include all directors] of the group in the securities of the company". These rules were "applicable to any dealings by the officer's spouse or on behalf of any infant child or by any other person connected with him".

The rules also applied to other dealings in which the officer or any other person connected with him "is or is to be treated as interested". The rules prohibited dealings by officers and their spouses when the officers possessed information which was "likely, upon publication, to affect the market price of those securities". Information about a possible takeover of Anglia fell into this category.

The rules also contained an explicit prohibition on dealings by any director or their spouse in Anglia shares during the "close period", from the end of the company's financial year on December 31 to the publication of its annual results, normally in the middle of March.

Each director was required to sign a copy of the rules, confirming that they had received them and that they would "act in accordance therewith". Directors informed their spouses and connected parties.

6 The outhouse in the Grantchester garden

Lady Archer has told her fellow Anglia directors that she keeps all her confidential board papers in a converted Victorian folly in the garden of the main family home at Grantchester near Cambridge. She and Lord Archer have separate offices in the folly.

7 Lord Archer, fiction and stockbrokers Charles Stanley

Since the early 1970s, Lord Archer had sporadically done business with Mr Simon Wharmby and Mr Frank Watts, two stockbrokers who have worked as a team for a variety of City of London firms.

They both joined Charles Stanley in October 1993, having left Sheppards after it was merged with Carr Kitcat. Charles Stanley is a medium-size stockbroker that can trace its roots back 200 years. It is controlled by the Howard family, which is well-known in the City of London. Its typical clients are wealthy individuals, including "senior members" of the Conservative Party, according to one of its executives.

In the 1970s, Mr Watts and Mr Wharmby worked for Rowe Rudd, an aggressive stockbroking firm used by Lord Archer which no longer exists. Mr Watts has told friends that he had tried to deter Lord Archer from making his ruinous investments in Aquablast.

Coincidentally, a character called "Frank Watts", also employed by a "Rowe Rudd", appears in Lord Archer's first novel, *Not a Penny More, Not a Penny Less*, which launched him back on the road to fortune. The novel contains a scene in which Mr Watts receives an order to buy and sell a parcel of shares within a single dealing period or "account" from an insider dealer.

For the past few years, neither Mr Watta nor Mr Wharmby had had any business dealings with Lord Archer, according to a friend of theirs.

However, Mr Wharmby telephoned Lord Archer twice shortly after joining Charles Stanley. He did this because he was contacting all wealthy former clients, to inform them where he could be reached. Around Christmas, be then contacted Lord Archer again to ask him if he wanted to invest in an unusual scheme to salvage a ship sunk during the second world war. Lord Archer declined.

8 Regulatory changes which made Anglia a takeover target

In May 1993, the then National Heritage Secretary, Mr Peter Brooke, launched a review of the rules preventing any company from holding more than one large broadcasting franchise. He announced on November 24 that each ITV company would be permitted to hold two regional franchises, subject to approval by both Houses of Parliament. The new rules came into effect on January 1.

As a smaller television company, with a market value in December 1993 of £190m, Anglia was widely viewed after the rule change as vulnerable to a takeover by a bigger franchise holder or media company, such as MAI, which controls Meridian Broadcasting, the South of England ITV company.

9 Events leading to the takeover of Anglia by MAI

In December 1993, MAI indicated to Anglia that it would be interested in making a bid for the company. Board papers which gave details of this tentative offer were sent to directors on December 31.

MAI's interest in the company was discussed by the Anglia board for the first time at a meeting held in their Leicester Square office in the centre of London on January 5. The meeting, which was attended by Lady Archer, ran from 10.30am until lunch. Directors also discussed and rejected a complicated four-way partial merger involving London Weekend Television, Yorkshire and Tyne Tees. However directors kept open the options of combining with MAI or remaining independent.

At around 10am on January 13 Lord Archer telephoned Mr Wharmby and asked him to check the 'price and size' – or availability – of Anglia shares

10 MAI's bid proposal

A firm bid proposal from MAI was discussed for the first time by the Anglia board at a meeting on January 12. The meeting, held again at Anglia's London offices lasted from 9am until lunch. MAI was offering around 610p a share. The board authorised Sir Peter Gibbings, Anglia's chairman, to negotiate a takeover at close to 650p a share.

That afternoon, Sir Peter and his chief executive, David McCall, met Lord Hollick, MAI's managing director, and Sir James Mackinnon, MAI's chairman, to discuss takeover terms. Agreement on a takeover price of about 650p was reached. The following morning, Anglia directors were invited to attend a further board meeting, to be held on Sunday January 16.

11 Anglia's share price performance

Because Anglia was widely viewed as a takeover target, its shares had performed strongly in the latter months of 1993 and early 1994. On January 4, its share price was 428p. By January 12, the day before Lord Archer placed his first order, it had risen to 482p, a rise of 13 per cent in just seven working days. Brokers say that if there had not been a takeover bid for the company, the price might well have fallen.

12 Lord Archer's first order to buy Anglia shares

At around 10am on January 13 Lord Archer telephoned Mr Wharmby and asked him to check the "price and size" – or availability – of Anglia shares. This was the day after the Anglia board meeting which first discussed MAI's detailed takeover proposals, including a 610p bid price which was subsequently revised upwards. It was also during the "close period", during which any dealings by Anglia directors and their spouses were prohibited by the company's rules.

Mr Wharmby called Charles Stanley's dealers, who told him that a parcel of 80,000 shares was available. He then telephoned Lord Archer to tell him this. However, Lord Archer said the cost was too great. Instead, he placed an order to purchase 25,000 shares at a price of 485p.

Mr Wharmby then spoke again to Charles Stanley's dealers, who clinched a deal with a market maker (a wholesaler of shares). According to stock exchange records, the deal was executed at 10.25am.

Mr Wharmby then called Lord Archer and told him the deal had been completed.

Up until this moment, Mr Wharmby had assumed that the shares were being bought for Lord Archer himself. However, when Mr Wharmby asked Lord Archer how be wanted the deal to be recorded, Lord Archer said the shares should be booked in the name of Mr Broosk Saib, an individual for whom Charles Stanley had never dealt and who did not have an account at the firm.

Stockbrokers say that it is unusual for an individual to place an order on someone else's behalf and not mention that the shares are being bought for this other person before the deal is transacted. "It is even stranger if the acquaintance does not already hava an account with the stockbroker," said a leading broker.

13 Lord Archer's address as mail box for Mr Saib

To carry out the transaction, Charles Stanley had to set up an account in the name of Mr Saib and in order to do so it needed an address for the Kurdish businessman.

Mr Saib has a London home, at 14 Heath Rise, Kersfield Road, Putney. However, this was not supplied by Lord Archer.

Instead the novelist asked that the name and address on the account details should be: "B Saib Esq, c/o J Archer, Alembic House, 93 Albert Embankment, London SE1 7TY." Alembic House is Lord Archer's London residence.

14 Mr Saib says he is a frequent dealer in shares

Mr Saib had never before used Lord Archer's address as a mail box when dealing in shares through any City of London stockbroker. This was ascertained by Charles Stanley, when it checked Mr Saib's creditworthiness through the Stock Exchange Mutual Reference Society, a database containing the names and addresses of all exchange members' clients.

Charles Stanley did not heck whether Mr Saib had ver dealt in shares using his wn address in account details supplied to a broking firm.

Mr Saib has subsequently said: "I have bought a lot of shares in my lifetime, and I continue to do so." However, he has not said why he needed to use Lord Archer to place the orders on this occasion.

15 A second Anglia share order

Having instructed Mr Wharmby to register the shares in the name of Mr Saib, Lord Archer said that he would be interested in buying more shares if they became available at the same price. As a result, the following afternoon Mr Wharmby telephoned him and offered him a second parcel of 25,000 shares, again at 485p, which Lord Archer agreed to buy. Once more he bought for Mr Saib's account.

According to Stock Exchange records, the deal was executed with a market maker at 1.58pm.

16 Lord Archer as effective guarantor of the deal

On the morning of January 14, a few hours before this second order was placed, Mr Peter Hurst, Charles Stanley's finance director, noticed on his copy of the firm's dealing sheet that a new client, Mr Saib, had bought 25,000 Anglia shares. Because he had never heard of Mr Saib, he wondered whether the firm should be giving him £121,250 of credit to pay for the shares.

Under Stock Exchange settlement procedures, whenever anyone buys shares his or her broker provides credit to pay for them. This *de facto* loan lasts until "account day", when the client has to deliver the funds.

Mr Hurst therefore asked Mr Wharmby why he had dealt for Mr Saib. Mr Wharmby explained that the order had in fact been placed by Lord Archer. Mr Hurst therefore came to the reasonable conclusion that Lord Archer would be "good for the payment" if Mr Saib himself could not come up with the funds. He therefore gave Mr Wharmby permission to buy the second parcel of shares for Mr Saib that afternoon.

Mr David Howard, managing director of Charles Stanley and an expert on stockbroker contract law as author of a Law Society paper on the subject, was convinced that Lord Archer, the agent for the transaction, would have been found liable in the courts if Mr Saib had failed to pay for the shares.

17 No payment is made for the shares

In fact, the question of who would pay for the shares turned out to be irrelevant. They were bought and sold within a single account period, under a Stock Exchange settlement system which has now been superseded. Because the purchase and sale fell within a single account, the buyer did not have to put up any money.

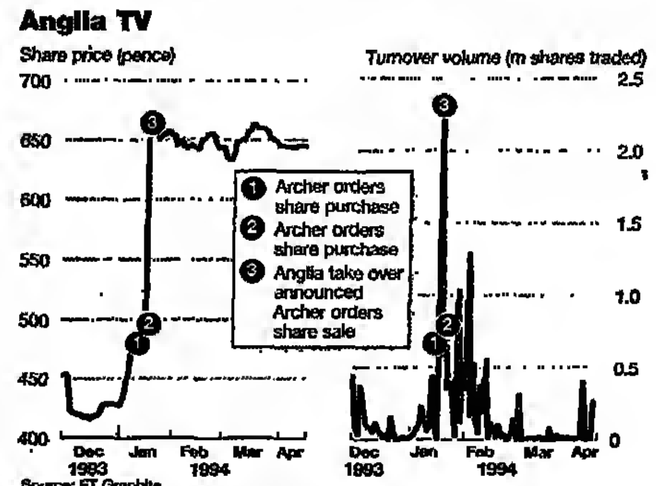
Lord Archer had to make special arrangements to ensure that the purchase and sale fell within a single account in this way, because January 13 and January 14 were the last two days of a dealing account. He asked for the shares to be bought for "new time" by paying a slight premium over the market price for the shares. As a result the transactions counted as falling into the next dealing account period.

An executive of Charles Stanley then exclaimed that Lady Archer was an Anglia director. Mr Howard responded: 'My God, this is front page stuff.'

If the shares had not been bought in this way, payment for them would have been required on January 24. Instead, settlement day was deferred until February 7.

18 Anglia is reminded of the restrictions on dealings

Meanwhile, Anglia's solicitors, Linklaters and Paines, wrote on January 14 to the Anglia company secretary, Mr Robin Stephenson asking him to remind the board that neither they nor their spouses, dependents or connected parties should be dealing in Anglia shares, in view of the negotiations with MAI.



Source: FT Graphite

19 Anglia's board agrees to the takeover

On Sunday January 16, Anglia's board met at the offices of the company's merchant bank, S.G. Warburg, in the City of London. The meeting lasted from 2pm until the late afternoon. The board gave approval for the merchant bankers to finalise the takeover terms with MAI. The merchant bankers - Warburg for Anglia and N.M. Rothschild for MAI - then worked through two nights so all remaining impediments to a deal could be removed.

20 The takeover is announced to the Stock Exchange

At just after 8am on January 18, MAI's recommended offer for Anglia was announced. The terms in cash and new MAI convertible preference shares valued the company at approximately £292m and each Anglia share at "not less than 637p", with the precise value dependent on how the stock market would eventually value the MAI preference shares.

21 Lord Archer's instructions to sell the Anglia shares

Immediately after the bid was announced, Anglia's share price soared.

At around 10am that morning Lord Archer telephoned Mr Wharmby and instructed him to sell all 50,000 shares. Stock Exchange records show the deal was transacted at about 10.15am, at a price per share of 646p, realising a gross sum of £323,000. The net profit on the deal, after deducting commissions and stamp duty reserve tax of 0.5 per cent, was £77,219.62.

22 The Stock Exchange's preliminary investigation

On the same morning, Mr Hurst of Charles Stanley noticed the Stock Exchange announcement of MAI's bid for Anglia. He asked his firm's compliance officer, Mr Eric Hurrell, who is responsible for ensuring that it sticks to the rules of the Stock Exchange and the Securities and Futures Authority, to have a close look at Lord Archer's share orders.

These deals were conspicuous. Although the firm had received several orders to buy Anglia shares in the preceding weeks, there had been only Lord Archer's on each of January 13 and January 14.

At a meeting of Charles Stanley's directors the following day, Mr Hurrell pointed out quite how well-timed these had been. An executive of the firm, who happened to be in the room, then exclaimed that Lady Archer was an Anglia director.

The managing director, Mr Howard, responded: "My God, this is front page stuff." He instructed Mr Hurrell to pass on the details to the Stock Exchange's insider dealing group, which has responsibility for the initial stages of insider dealing probes.

However the exchange had already left a telephone message for Mr Hurrell. It wanted him to review all the firm's Anglia deals to see if any could have been transacted on the basis of inside information.

Mr Hurrell told the exchange: "I have been expecting your call." He went on to say that Lord Archer's share orders should be scrutinised carefully.

23 The launch of a formal DTI investigation

In the following three days, the Stock Exchange collected as much information as it could about Lord Archer's Anglia share orders.

At the beginning of the following week, the exchange passed its dossier on the transactions to the Department of Trade and Industry. The prime minister was then informed of the dealings. On February 8, the DTI appointed Mr Hugh Aldous, an accountant from Robson Rhodes, and Mr Roger Kaye QC, to investigate "possible insider dealing contraventions".

24 *Not a Penny More*, Not a Penny Less

Charles Stanley was uncertain whether it should pay the cheque for the dealing profit to Mr Saib, in view of the inquiry being conducted into the transactions. It was advised by its solicitors that it should probably hang on to the money.

There was a risk, according to the solicitors, that Charles Stanley could be embroiled in a court case if the market makers who sold the shares to Mr Saib via the broker sued on the basis that the purchaser might have benefited unfairly from inside information.

However, the Stock Exchange gave the broker informal guidance that it would prefer that the cheque were paid as though nothing unusual had occurred. It did not want Mr Saib or Lord Archer alerted to the possibility that an inquiry was taking place.

So on February 4, Charles Stanley sent a cheque for £77,219.62 to Lord Archer's home. It was an "account payee only" cheque dated February 7 and drawn on the Bank of Scotland.

25 The cheque is banked and £10,000 in cash is withdrawn

On February 10, the cheque was deposited in Mr Saib's account at the Nationa Westminster Bank's branch in Cromwell Road, west London.

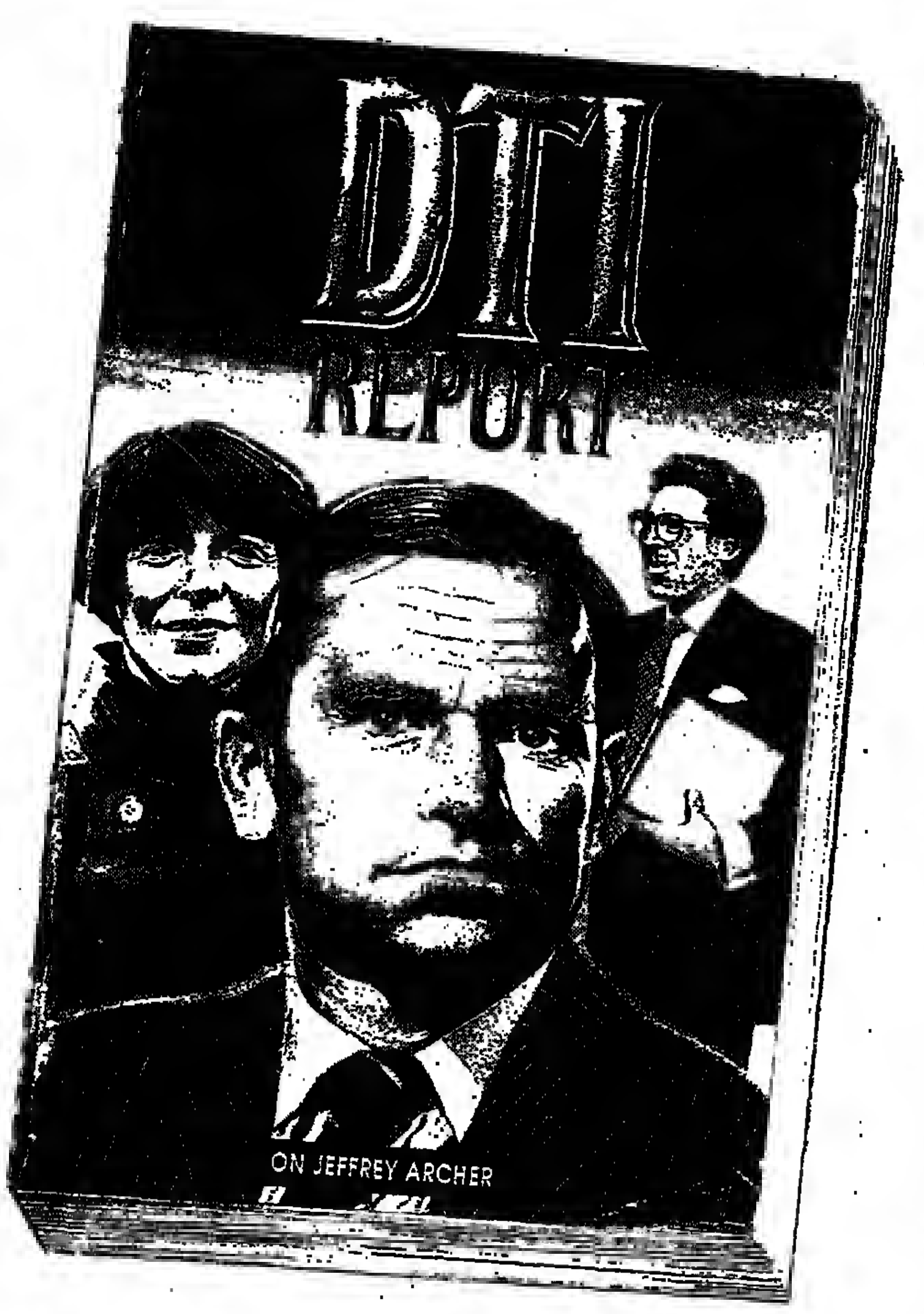
Mr Saib already had a current account at the Cromwell Road branch. However, he opened a Premium Reserve interest-paying account, into which he transferred just over £50,000 of the proceeds.

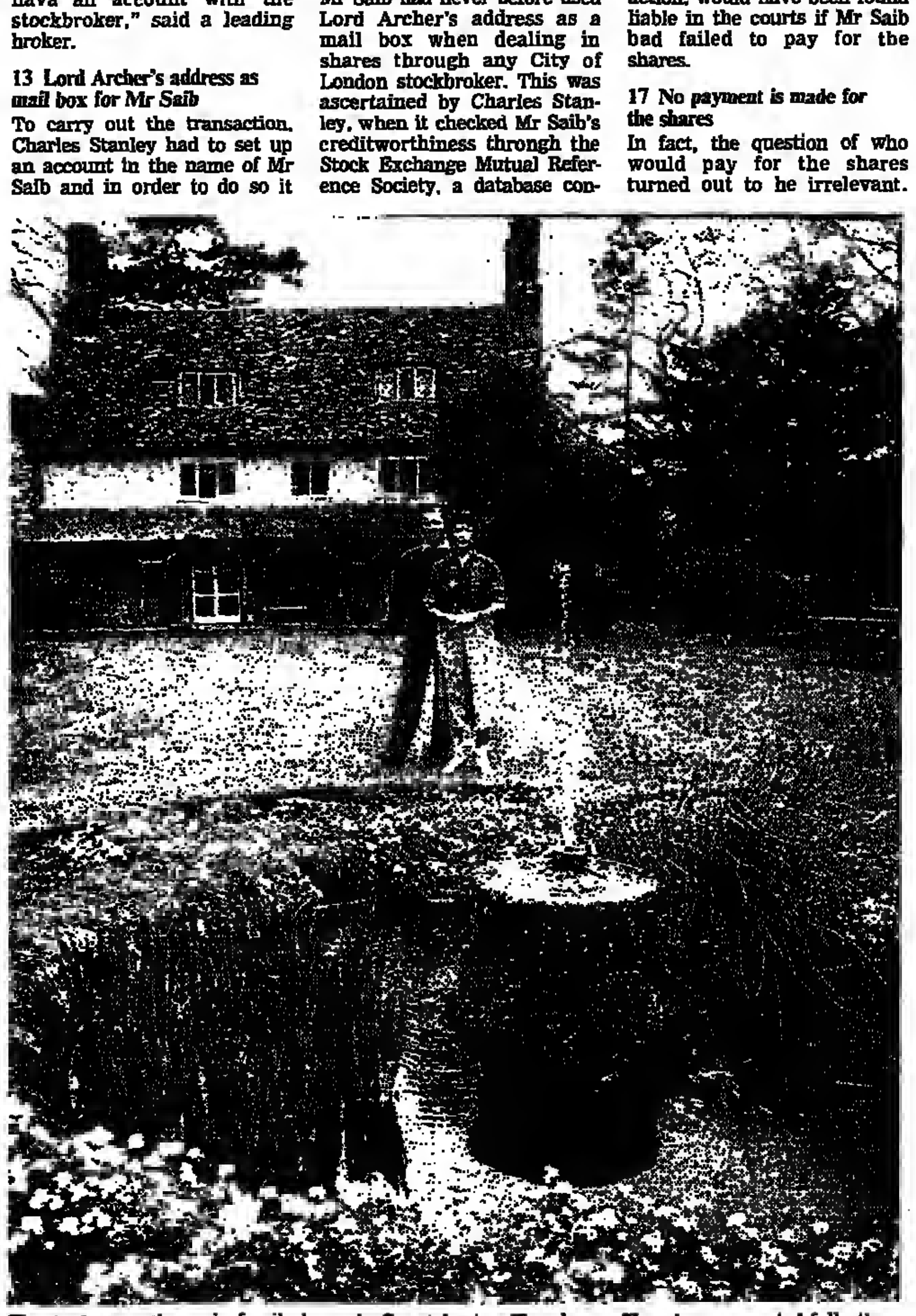
In February and March there were three significant withdrawals from Mr Saib's NatWest account: there were payments to external accounts of £10,000 and £12,000, plus a cash withdrawal of £10,000.

The external accounts which received the payments belonged to "individual organisations" unconnected to Lord Archer, according to an official with a close knowledge of the DTI investigation.

26 Lord Archer contacts Simon Wharmby again

Towards the end of February, Lord Archer, having been approached for an interview by the DTI's inspectors, telephoned Mr Wharmby. He inquired what the investigation might concern and appeared surprised that anyone should believe there was anything peculiar about the Anglia share orders.




The Archers at the main family home in Grantchester. They have offices in a converted folly there

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Alcan Aluminium $0.075
British Telecom 10.05p
Christiania Bk Rev. FRN '7 $1108.11
First Nat. Bldg. Scty. Fltg. Rate Perm. Int. Brg. £39.30
Gold Int. Fin. B FRN '02 Y729895.0
Do. C Y2078082.0
Hankyu FRN 1996 Y63319.0
Investment Co. 1p
Jasmine A FRN 2003 Y2038356.0
Kershaw (A) 9.5p
MDX 4¾% Cv. Bd. '03 $47.50
Rank Org. 4.25p
Ransomes 5½% Pf. 1.925p
Thames Water 9½% Cv. Bd.'06 £237.50
Tokai Fin. (Cur.) Und. FRN Y2179452.0
Treasury 11½% 01/04 £5.75

■ TOMORROW
Edinburgh Small Co's Tst. 0.21p
Enron $0.1875
Limited Inc. $0.09
Exchequer 10½% 2005 £5.25

■ *WEDNESDAY*
SEPTEMBER 21
Leumi Int. Invs. Gtd. FRN '97 $223.81
Murray Smaller Mkts. 2.95p
New Wits R0.35
Woolwich Bldg. Scty. FRN '99 £133.90

■ THURSDAY
SEPTEMBER 22
Arab Banking FRN '96 $268.33
Birmingham Mid. Bldg. Scty. FRN '05 £29427.40
Halliburton $0.25
Marine Midland Bks FRN '09 $134.17
Midland Bank Und. FRN (Sep.1985) $255.56
Nationwide Bldg. Scty. Sb. FRN 2000 £153.44
Do. Sb. FRN 2004 £140.21
SGW Fin. Gtd. FRN 1998 £13.58
Standard Chart. Und. Prim. FRN £67.73
Taunton Cider 3.95p

■ *FRIDAY*
SEPTEMBER 23
Eksportfinans Sb. FRN '02 $26.19
Electric & Gen. Inv. 1.65p
European Inv. Bank 11% Ln. '02 £275.0
Ewart 0.6p
Fleming Fledgling Inv. Tst. 1p
Fleming Geared Inc. & Assets Inv. Tst. 1.25p
Hamlet 4p
Hercules $0.56
Leeds Permanent Bldg. Scty. *Sb. Var. Rate Nts. £146.40*
Marine Midland Bank Fltg. Rate Sb. Cap. Nts. 1998 $134.17
National Power 6¼% Cv. Sb. Bd. 2008 £31.25
Potgietersrust Platinums R0.35
Rustenburg Platinum R1.025
Soundtracs 0.92p
Vtech (Lon. Reg) $0.01
Do. (Bermuda) $0.01
Yorkshire Water 6¾% Snr. Cv. Bd. 2008 £33.75

■ SATURDAY
SEPTEMBER 24
Asian Dev. Bank 10¼% Ln. '09 £256.25
Greenalls 11½% Db. 2014 £5.75
Do. 7% Cv. Sb. Bd. 2003 3.5p
Int. Bank for Reconstruction & *Dev. 9½% Ln. '10 £4.75*
Treasury 2½% I.L. 2001 £2.2564

■ SUNDAY
SEPTEMBER 25
ABF Invs. 5½% Un. Ln. 1987/2002 1.375p
Do. 7½% Un. Ln. 1987/2002 1.875p
Marston Thompson & *Evershed 10¼% Db. 2012* £5.125
New Zealand 11½% 2014 £287.50
Renold 8% 1st. Db. 91/96 £4.0
TSB Gilt Fd. Ptg. Pf. 0.67p
Treasury 8% 2009 £4.0

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Aitken Hume Int., Honourable Artillery Co., Armoury House, City Road, E.C.,12.00
Murray Smaller Markets Tst., Marriott Hotel, 500, Argyle Street, Glasgow, 12.30
BOARD MEETINGS:
Finals:
GT Japan Inv. Tst.
MAI
Interims:
BLP
BSM
Bemrose
Dinkie Heel
Edinburgh Fd. Mngrs.
Ferry Pickering
ISA Int.
Isle of Man Steam Packet
Magnolia
Mauritius Fd.
Morgan Crucible
Rhino
Sanderson Bramall Motor Grp.
Wakebourne

■ TOMORROW
COMPANY MEETINGS:
Colefax & Fowler, Merchant Taylors Hall, 30, Threadneedle Street, E.C., 11.00
Cook (DC),73, Sheffield Road, Rotherham, South Yorks., 9.30
Fleming Geared Inc. & Assets Inv. Tst., 25, Copthall Avenue, E.C., 3.30
***Mosaic Invs.**, Smith New Court* House, 20, Farringdon Road, E.C., 10.00
Park Food, Tranmere Rovers Football Club, Prenton Park, Prenton Road West, Birkenhead, 12.00
Tinsley (Eliza), The Plough & Harrow, 135, Hagley Road, *Birmingham*, 10.30
Vardy (Reg), Houghton House, *Wessington Way, Sunderland*, 12.00
BOARD MEETINGS:
Finals:
Bryant
Hays
Waverley Mining Fin.
Interims:
Bodycote Int.
Brake Bros
Golden Vale
Lasmo
Matthews (Bernard)
Secure Tst.
Sentry Farming
Tesco
Travis Perkins
Wassall
Wolstenholme Rink

■ WEDNESDAY
SEPTEMBER 21
COMPANY MEETINGS:
Aeds Grp., *Pudsey Civic Hall*, Dawsons Corner, Pudsey, Leeds, *11.00*
Howden, Howard Hotel, Temple Place, Strand, W.C., 12.00
Unitech, Howard Hotel, Temple Place, Strand, W.C., 12.00
Williamson Tea, *Painters Hall*, 9, Little Trinity Lane, E.C., 12.00
BOARD MEETINGS:
Finals:
Barratt Devs.
Graystone
Henderson Eurotrust
Photo-Me
Tor Inv. Tst.
Interims:
Arcolectric
Bowthorpe
British Aerospace
Dencora
Dragon Oil
Exco
Martin Currie Pacific
Pittards
Spirax-Sarco Eng.
Steel Burrill Jones
TT Grp.
Tilbury Douglas

■ THURSDAY
SEPTEMBER 22
COMPANY MEETINGS:
Boustead, Westbury Hotel, Conduit Street, W., 12.00
British Bloodstock Agency, Queensbury House, 129, High Street, Newmarket, 12.00
Danae Inv. Tst., 99, Charterhouse Street, E.C., 12.30
Druck Hldgs., Fir Tree Lane, Groby, *Leicester, 12.00*
Electric & General Inv., 3, Finsbury Avenue, E.C., 12.30
Porter Chadburn, Marriott Hotel, 134, George Street, W., 2.30
Stewart & Wight, Holiday Inn Garden Court, 57-59, Welbeck Street, W., 11.15
Tamaris, Dormy House, Ridgemount Road, Sunningdale, Berks., 10.30
BOARD MEETINGS:
Finals:
Alumasc
CLS
EFM Dragon Tst.
Europe Energy
Green (E)
Heritage
Lloyd Thompson
Murray Ventures
Pantheon
Pizza Express
Premium Tst.
Towry Law
Wiggins Grp.
Interims:
Ashley (Laura)
Bilston & Battersea
Cassell
Dagenham Motors
Fact (EW)
Geest
Headlam Grp.
Highcroft Inv. Tst.
Jeyes
Kinta Kellas
McAlpine (A)
More O'Ferrall
Morrison (Wm) Supermarkets
RMC
Spendex

■ FRIDAY
SEPTEMBER 23
COMPANY MEETINGS:
Abtrust Scotland Inv., 10, Queens Terrace, Aberdeen, 12.00
Aerospace Eng., Blunsdon House Hotel, Blunsdon, Swindon, 12.15
BBB Design, 25, Luke Street, E.C., 11.00
Benson Grp., Botanical Gardens, Edgbaston, Birmingham, 12.15
English & Caledonian Inv., Charles Oakley House, 125, West Regent Street, Glasgow, 11.00
Govett American Smaller Co's Tst., Shackleton House, 4, Battle Bridge Lane, S.E., 11.00
Southend Property Hldgs., 33, Wigmore Street, W., 10.00
Templeton Emerging Markets Inv. Tst., Butchers Hall, Bartholomew Close, E.C., 10.00
BOARD MEETINGS:
Finals:
Automotive Products
Go-Ahead Grp.
Goodwin
Interims:
Breedon
F & C Pacific Inv. Tst.
Hepworth
Holt (Joseph)
Jove Inv. Tst.
Storm Grp.

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until about six weeks after the board meeting to approve the preliminary results.

CONFERENCES & EXHIBITIONS

SEPTEMBER 19-22
Fire 94
The national conference & exhibition for the whole fire protection profession, featuring a wide range of the latest fire safety equipment and services.
Contact: Jane Malcolm-Coe
FMJ International Publications Ltd.
Tel: (0737) 768611. Fax: (0737) 761685
BOURNEMOUTH

SEPTEMBER 22
CBI Annual Pensions Conference
Conference, in association with William M Mercer Ltd, Considers company pension policies and Government strategies in light of legislative cahnges. Keynote speaker, William Hegue, Minister of State for Social Security.
Contact Sandra Aldred
CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
LONDON

SEPTEMBER 26/27
European Equities
Investment Management
Queen Elizabeth II
Conference Centre, London.
Major international conference on pan European investment strategy featuring analysis of the growth of the institutional and investor base in Europe and including 16 country/sector workshops.
Contact: *Alison Elgar, Dow Jones Telerate*
Tel: 071 832 9532 Fax: 071 353 2791
LONDON

SEPTEMBER 28-30
Commonwealth Asia: Regional & International Relations
Commonwealth Institute, Kensington High Street, London W8 6NQ.
This symposium will examine the economic and diplomatic ties between the Commonwealth Asian countries with the aim of identifying areas of mutual concern and encouraging further collaboration.
For further details please call 071 603 4535
LONDON

SEPTEMBER 29
South Africa
A Cityforum conference featuring Chris Stals, Sir Evelyn de Rothschild, Mr Alec Erwin, Robert Guy, Basil Hersov, Gary Maude, M J Levett. Sponsors: South Africa Foundation, Rothschilds/Smith New Court, Clifford Chance, Coopers & Lybrand, Old Mutual.
Information from: Cityforum
Tel: 0225 466744 Fax: 0225 442903
LONDON

SEPTEMBER 29
Ernst & Young
Transfer Pricing Conference
Implications for multinationals of 1994 OECD Report and Final US Regulations.
Price: £100.00 plus VAT
Contact: Tina Devonport, Ernst & Young
Tel: 071 931 2295 Fax: 071 242 5862
LONDON

OCTOBER 3-4
Multivendor & Third Party Computer Maintenance
Frost & Sullivan's seventh annual Multivendor TPCM conference brings together key speakers to discuss the issues and concerns of both existing and potential users and suppliers of computer maintenance in the client/server era.
Contact: Kristina Menzefricke
Frost & Sullivan Tel: 071 730 3438
LONDON

OCTOBER 3-5
LAFFERTY'S
1st International Wealth Management Convention
Four distinct but related conferences - a MUST for anyone in the affluent market - an area which offers enormous profit *opportunity for providers of financial and* professional services:Global Wealth Briefing, Private Banking, Investment Management & Dealing, Personal Financial Planning Conference
Contact: Elaine
LAFFERTY CONFERENCES, Dublin
Tel: (+353-1) 671 8022
Fax: (+353-1) 671 3594
LONDON

OCTOBER 3 - NOVEMBER 21
FT City Course
This course is designed to provide participants with an overview of all the workings of the City of London, paying particular attention to the banking and *securities markets.*
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081 673 1335
LONDON

OCTOBER 3-4
Global Emerging Markets '94
is a mining investment conference which features the top developing countries for mineral Investment and the companies operating in those countries. Sponsors include Mining Journal, BHP, Cambior, Minorco, Homestake Mining, Metall Mining, Niugini Mining, plus more.
For registration phone
305-670-1963 or fax (305) 670-0971
LONDON

OCTOBER 4
Pensions Now
A one-day conference covering Pensions Equality; SERPS - breaking the link; proposed minimum solvency requirements; the proposed new regulatory regime and compensation scheme; the extra burdens these will add; being a pension scheme trustee; plus the viewpoint of a scheme sponsor.
Contact: The Conference Manager, Gee Publishing Ltd.
Tel: (071) 538 5386 Fax: (071) 538 8623
LONDON

OCTOBER 4 & 5
FT International Infrastructure Finance
Build-Operate-Transfer (BOT) projects are set to play an important role in major infrastructure schemes worldwide. This two-day event will examine the billion *dollar business opportunities* for contractors and suppliers to the industry.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081 673 1335
LONDON

OCTOBER 5/6
Auditing the Dealing room
(Understanding the Treasury functions)
Training designed specifically for internal auditors and bank inspectors charged with examining the activities of their institutions' Treasury dealing operation - cash markets and derivative products. £480 + VAT.
Lywood David International Ltd.
Tel: 0959 565820 / 0956 323184
Fax: 0959 565821
LONDON

OCTOBER 5
India - Moving Forward
CBI Conference, supported by the DTI, considers the investment and trading opportunities for UK companies. Concessionary fee available to delegates from qualifying smaller companies.
Contact: Nicola Martin, CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
LONDON

OCTOBER 5
Rapid Iterative Development of Business Applications.
Client/Server Application Generation. A seminar presented by Sybase/Top Systems. This seminar is free of charge.
To register please call
The Marketing Department on
081 332 2223.
BLACKFRIARS, LONDON

OCTOBER 5-6
Information Systems Outsourcing
Frost & Sullivan's annual strategic ISO conference provides an opportunity to learn from the real experience of companies that have taken the outsourcing route including British Aerospace, Inland Revenue, as well as to interact with the industry's leading suppliers.
Contact: Kristina Menzefricke
Frost & Sullivan Tel: 071 730 3438
LONDON

OCTOBER 6
BRAZIL 95: Business Opportunities
***In an Environment of* Economic Stabilisation**
The GAZETA MERCANTIL/BANCO DO BRASIL seminar, will analyse Brazilian economic prospects following the stabilization program - Plano Real. Chaired by the Brazilian Ambassador, featuring high-level speakers. The event will be followed by cocktails in celebration of the opening of BB Securities Ltd.
Contact: Ms Cleyde da Silva.
Tel: 071 216 4200 Fax: 071 216 4206
LONDON

OCTOBER 6
Essential Technical Analysis
This course explains how charts can improve market timing, selection & performance. The best techniques are explained in simple terms which are easy to understand and apply. Widely acclaimed by professional & personal investors, the *course benefits all.*
Call: Technical Trader 0904 636407
or New Skills 061 428 1069/6740
LONDON

OCTOBER 11
Measuring the value of I.T. investments
This conference discusses how to asses the value of I.T. projects and prioritise I.T. investment successfully. It presents guidance from leading academics and consultants, as well as insights from the experience of major organisations, in both the private and public sector.
Contact: Business Intelligence
Tel: 081 543 6565 Fax: 081 544 9020
LONDON

OCTOBER 11 1994
The Water Industry - Looking Forward from the Periodic Review
A CRI seminar assessing the regulatory framework for the next ten years and the impact of the new price limits for the water companies, shareholders and customers. Ian Byatt will give the keynote address. Speakers from companies, customer groups, the city and the NRA. Cost £299 + VAT.
Contact: Leigh Sykes, CRI
Tel: 071 895 8823 Fax: 071 895 8825
LONDON

OCTOBER 11/12
Practical Dealing course - Foreign exchange
Training in spot and forward forex dealing for trainee/junior dealers and Corporate Treasury personnel, Highly participative including WINDEAL (PC based dealing simulation) Training effected by practitioners with many years' experience. £480 + VAT.
Lywood David International Ltd.
Tel: 0959 565820/0956 323184
Fax: 0959 565821
LONDON

OCTOBER 12 - MAY 26
Financial Awareness for Managers
Over 10 1-day tutorials this course covers interpretation of financial statements, investment appraisal, working capital, management accounting and business analysis. Delegates receive a copy of the Certified Diploma Open Learning Programme - a comprehensive 2,000 page guide to finance and accounting for the non-accountant.
Contact: Yeal Gordon, ACCA
Tel: 071 396 5722 (24 hours)
Fax: 071 396 5790
LONDON

OCTOBER 17 & 18
FT World Mobile Communications
This two-day conference will bring together key speakers to share their views on the growth of mobile communications, *the various technologies being adopted and* new operator strategies.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081 673 1335
LONDON

OCTOBER 18-19
Introduction to Foreign exchange and Money Markets
Highly participative training course covering traditional FX and Money markets (Sterling & Eurocurrencies). For Corporate treasury personnel, trainee dealers, treasury marketing executives, financial controllers, systems and other support personnel.
£480 + VAT
Lywood David International Ltd.
Tel: 0959 565820 / 0956 323184
Fax: 0959 565821
LONDON

OCTOBER 18/19
Practical Documentary Credits
Trade finance training for financial institutions and export/import company personnel. Presentations, practical exercises and discussion on Doc Credits, handling discrepencies and the UCP 500 procedures to clarify understanding of all issues. £480+VAT.
Lywood David International Ltd.
Tel: 0959 565820/0956 323184
Fax: 0959 565821
LONDON

OCTOBER 19
Practical BPR - Implementation Issues
2nd Annual Conference of the BPR Study Group (200+ members)
New (never disclosed before), recently successful Case studies presented with interactive sessions from senior management and practitioners. Lively discussions and demonstrations including speakers from Citibank International, Nationwide Building Society, Alliance and Leicester, Capital Home Loans, Pickfords and more.
Contact: Steve Towers, Hanson Associates
Tel: +44 (0) 441 120118
Fax: +44 (0) 618 663829
LONDON

OCTOBER 21
Commercial Agents
CBI/Warner Cranston half-day seminar considers the way forward for principals and agents and provides practical guidance for operating under the new laws.
Contact: Belinda Rogerson
CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
LONDON

OCTOBER 24-25
International Polypropylene Conference
The Institute of Materials has organised this important conference to bring the best speakers in the polypropylene industry together to help catalyse the recovery in *the business.*
Contact The Institute of Materials
Tel: 071 839 4071 Fax: 071 823 1638
LONDON

25-26 OCTOBER 1994
Successful Selling '94
ICC, Birmingham
is the only independent Conference and Exhibition for the Sales and Marketing professional. The Conference programme offers unbeatable value with presentations full of ideas, concepts and hard won experience. Networking opportunities abound. Call free for a brochure on 0800 132122.
BIRMINGHAM

OCTOBER 26 - 27
BPR 94: Re-engineering, Process Management and Performance Improvement
Europe's leading conference and exhibition devoted to exploring how to apply business re-engineering strategies to achieve quantum leaps in corporate performance. Designed to meet the needs of your whole re-engineering team, from executive sponsor to those involved in planning and implementing projects.
Contact: Business Intelligence
Tel: 081 543 6565 Fax: 081 544 9020
LONDON

OCTOBER 27
International Tax Conference - Managing Global Expansion
Conference on the tax issues facing multinationals in the changing global scene.
Price: £300.00 plus VAT
Contact: Michelle Beard, Ernst & Young
Tel: 071 931 2297 Fax: 071 242 5862
LONDON

OCTOBER 27
The Infrastructure Funding Revolution
A one day conference examining how project finance schemes are funded. Divided into two sections on international and UK funding requirements. Speakers from Perkins Cole, Hambros, Tarmac, NIGEN, IFC, Chemical Bank, EIB.
Contact: Carrie Race, IFR Publishing.
Tel: 071-815 3879/fax 071-815 3850
LONDON

OCTOBER 27 & 28
International Bond Congress
A unique opportunity for all professionals involved in the bond markets to increase their knowledge with 98 specialist presentations. With increasing globalisation and deregulation resulting in a dramatic surge in investment flows between countries, this event is an essential information source for the international bond markets.
Contact *IBC Event Office*
Tel: +44 (0) 1628 776306
Fax: +44 (0) 1628 32323
BARBICAN, LONDON

OCTOBER 30 - NOVEMBER 1
Living with Technology
Road Transport & Road Transport Engineering
An important opportunity for all professionals involved in design, operation and maintenance of cars, trucks and Psv's to assess existing challenges and developments. This twin track conference with 30 international speakers will provide an important stimulus for strategic and practical fleet decision making.
Contact Peter Edmonds.
Institute of Road Transport Engineers.
Tel: (071) 630 1111 Fax: (071) 630 6677
LONDON

NOVEMBER 6-8
CBI
National Conference
Sessions include - Europe, Manufacturing, Exporting, UK Economy, Training, Equal Opportunities. Speakers include - Kenneth Clarke, Jacques Santer, Kamlesh Bahl, *Paddy Ashdown, Michael Heseltine.*
Contact CBI Special Events Department
Tel. 071 379 7400 Fax: 071 497 3646
BIRMINGHAM

NOVEMBER 7
Global Convention on Retail Financial Services
Day 1: 13th International Retail Banking Conference
Theme "Strategies for 2001".
Subjects: Banking, insurance, investment management and consumer financial services. *Morning session: "Global, Regional or National Markets?"* Afternoon session: "Bank Positioning Strategies for 2001"
Contact: Mouna Couzi, Lafferty Conferences
Tel: +353 1 6718022
Fax: +353 1 6713594
LONDON

NOVEMBER 7
Beyond "What If" - Management Science in Spreadsheets
Management science techniques to aid *planning. Forecasting - to predict future* business conditions. Decision Analysis - to improve expected results. Simulation - to assess the impact of uncertainty. Markov Chains - to analyse changing market share. Optimisation - to maximise profit or minimise cost.
Contact: Unicom Seminars,
0895 256484, fax 0895 813095
US EMBASSY, LONDON

NOVEMBER 8
Global Convention on Retail Financial Services
Day 2: 8 Parallel Conferences
- Cards 2000
- Branch Banking
- Affluent Financial Services
- Business Banking
- Technology
- *Retail Financial Services for Low* Income Markets

Contact: Mouna Couzi, Lafferty Conferences
Tel: +353 1 6718022 Fax: +353 1 6713594
LONDON

NOVEMBER 8-9
DRI/McGraw-Hill's World Cars and Trucks conferences
bring together DRI's latest authoritative forecasts with key outside speakers to address the issues of the current cycle in the automotive industry and to anticipate the critical questions to be faced in the next five years.
Contact: Corinne Redonnet
Tel: 0181 545 6212 Fax: 0181 545 6248
LONDON

NOVEMBER 8-9
Quantitative and Computational Finance
Two day seminar hosted by the US Embassy. US and UK experts and practitioners review a range of novel quantitative models applied to the finance and securities industries. Derivatives; *options; yield curves; successes, failures* and experiences will be discussed.
Contact: Unicom Seminars
0895 256484, fax 0895 813095
US EMBASSY, LONDON

NOVEMBER 9
Global Convention on Retail Financial Services
Day 3: 6 Parallel Conferences
- *Delivery Systems*
- Marketing
- Insurance
- Non-Bank Banks
- Retail Financial Services in the Middle East
- Cross-Border Opportunities in *Iberia*

Contact: Mouna Couzi, Lafferty Conferences
Tel: +353 1 6718022 Fax: +353 1 6713594
LONDON

NOVEMBER 9
Presentations for Professionals by Professionals
At the Mermaid Theatre, a seminar on creating effective presentations. From presentation techniques and use of language, to AV design, slide production, etc. Businessmen, stand-up comedians and actors demonstrate how to make lasting impressions. Instructional, utterly enjoyable - a must for all presenters. Keynote speaker: Alan Dibbo, Chartered Institute of Marketing.
Contact E Williams, Executive Presentations
Tel: 071 837 8199 Fax. 071 837 8190
LONDON

NOVEMBER 10
Global Convention on Retail Financial Services
Day 4: 6 Parallel Conferences
- Islamic Banking
- Direct Financial Services
- UK Financial Services
- Personal Financial Planning
- Cross-Border Opportunities in France
- Retail Financial Services in Emerging Markets

Contact: Mouna Couzi, Lafferty Conferences
Tel: +353 1 6718022 Fax: +353 1 6713594
LONDON

NOVEMBER 11
Global Convention on Retail Financial Services
Day 5: 7 *Parallel Conferences*
- Cross-Border Opportunities in European Financial Services
  - Central & Eastern Europe
  - Germany
  - *Nordic Europe*
  - Benelux
  - Italy
- Retail Financial Services in India
- Human Resources

Contact: Mouna Couzi, Lafferty Conferences
Tel: +353 1 6718022 Fax: +353 1 6713594
LONDON

NOVEMBER 11+15
Winning with your customers
These two one-day conferences, in association with Unisys, will provide an in-depth appreciation of the strategic importance of customer care and service in the nineties. They will address key issues as they relate to business-to-business customers of products and services. Case studies will be used extensively to illustrate quality customer service.
Director Conferences 071 730 0022
LONDON

NOVEMBER 14
Excellence in Strategic Management
In association with SDO, the best rated of the 250 conferences and courses held by IBC Technical Services each year. Restricted to Senior Management with significant responsibility for strategic *direction of their companies. Limited to 20* places.
Contact: Caroline Elliott,
IBC Technical Services,
Tel: 071 637 4383 Fax: 071 631 3214
CHEWTON GLEN

NOVEMBER 15-16
Business Performance Measurement:
Transforming corporate performance by measuring and managing the drivers of future profitability. This two-day conference explores the relevance and practibility of developing new "corporate dashboards", which include non-financial indicators, such as customer satisfaction, quality and benchmarking.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020
LONDON

NOVEMBER 17
Exploiting UK Innovation
The Funding, Marketing and Licensing of New Ideas
This Two Day Conference, organised in association with The Patent Office includes workshops at which delegates can receive guidance for future best practice in their specific fields. Ideal forum for innovators to make contacts.
Contact: Lucinda Middleton,
IBC Technical Services
Tel: 071-637 4383 Fax: 071-631 3214
LONDON

NOVEMBER 21-22
Business Process Re-engineering (BPR)
Continuing series of seminars for managers charged with designing and implementing BPR initiatives. Presented by leading US practitioner and BPR author. Proven 'how-to-do-it' implementation guide illustrated with case studies and workshops. Course book also available. Over 50 organisations in the private & public sectors have already attended.
Contact: Richard Parris, Vertical Systems Intercede Ltd
Tel: +44-455-250266 (24 hours)
Fax: +44-455-890621
LONDON AREA

NOVEMBER 22
Continuous Improvement through KAIZEN
This two day conference conducted by Masaaki Imai and Peter Willats founders of the Kaizen Institute of Europe includes an optional third day visit to two sites where Kaizen principles are being implemented. An insight for senior Management in all industries.
Contact: Jessica Robertson,
IBC Technical Services,
Tel: 071 637 4384 Fax: 071 631 3214
LONDON

NOVEMBER 24/25
Differentiating Customer Proposition
CBI/Develin & Partners conference, chaired by John Humphrys, shows how to transform Key business processes to deliver cost efficiencies and market differentiation. (Optional workshop on second day).
Contact: Belinda Rogerson,
CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
Julia Robins, Develin & Partners
Tel 071 917 9988
LONDON

NOVEMBER
FT Manchester Postgraduate Fair
This is the first international fair to be held in the North of England which will provide exhibitors with a unique opportunity to attract the highest calibre of students for postgraduate and business school courses *and research opportunities.*
Contact: Vivienne Parrott or
Lynda McKean at Manchester University
Tel: 061 275 2077
MANCHESTER

NOVEMBER 28-29
Annual Company Securities Conference
The conference will discuss developments in the Corporate Governance, Benefits & Remuneration strategies, Pension Scheme Legislation and Company Law and how this would impact on the increasingly challenging and demanding role of the Company Secretary.
Contact: Jonathon Greenhalgh, AIC Conference
Tel: 071 329 4445 Fax: 071 329 4442
LANGHAM-HILTON

NOVEMBER 28 - DECEMBER 2
KAIZEN WORKSHOP
As featured on FT Management Page on 4 January: Five days' intensive hands-on experience for senior managers in world-beating productivity improvement techniques, in a real factory. Free video and copy of FT article also available.
Contact: Sarah Bisby,
Kaizen Institute of Europe
Tel: 071 713 0407 Fax: 071 713 0403
COVENTRY

NOVEMBER 29-30
Data Warehousing: Practical *Experience and Lessons for the* Future
Building the smart corporation, driving effective business process reengineering *projects*, unlocking the most valuable of corporate assets. Learn how many of the world's most competitive corporate players have used the data warehouse concept to achieve a strategic corporate advantage.
Contact: Unicom Seminars,
0895 256484, fax 0895 813095
LONDON

NOVEMBER 29-30
Managing Corporate Transformation:
The UK's premier event on planning, implementing and sustaining organisational *and cultural change.*
This two-day conference includes frank discussion of why so many initiatives fail and explores proven methods for achieving critical buy-in and support for new *organisation structures and working* practices.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020
LONDON

DECEMBER 7-8
Succeeding with Teams:
practical strategies for designing, implementing and driving the team-based organisation.
An international two-day conference specifically designed to help senior executives understand the fundamental issues involved in designing and implementing a team-based organisation.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020
LONDON

EXHIBITION

OCTOBER 7-9
Enterprise Business & Computing Show 1994
The UK's only national exhibition for small-medium business. Enterprise represents the forum for the fastest growing sector in the UK-SEMs. The exhibition is sponsored by Parcelforce and has over 150 companies *represented* from industries *including*, computing, finance, training, banking, franchising, commercial property, catering transportation and telecommunications.
Advance tickets: 081 982 6600
Contact: Julian Fisher, Enterprise Exhibitions Ltd, Tel: (0932) 859960/829920 Fax: (0932) 855741
LONDON

MARCH 1-3
Asian Companies EXPO
This entirely new concept for the financial markets brings together in one location an extensive and diverse array of leading *Asian Companies, and provides* institutional investors with a unique opportunity to evaluate potential growth and return first hand across all sectors on a one-on-one basis.
Contact: Euromoney EXPO's Limited
Tel: +44 (0) 1895 625194
Fax: +44 (0) 1895 624447
EARLS COURT, LONDON

INTERNATIONAL

SEPTEMBER 27-29
DA/DSM Europe 94
Competition in combination with open access *will force utilities to introduce more advanced* technologies such as: IT/DA/DSM/SCADA/AM/FM/GIS/AMR. At this conference & exhibition the latest developments will be discussed and shown by *the major companies and utilities. High level.*
Contact: PennWell C&E
Tel: +31-30-650.963 Fax+31-30-650.928
PARIS

SEPTEMBER 28-30
Information Technologies: Impact on Business and Society
Mexico's leading conference and exhibition for companies interested in Mexico's rapidly growing information business market. Key players from Mexico, and the US will attend Unique cross-industry opportunity to join insight and meet significant individuals, practical and interactive.
Sponsored by Pulsar International, one of Mexico's most dynamic corporations.
Tel: (011 52 8) 363-3449/378-4127
Fax: (011 52 8) 363-35-93
MONTERREY, MEXICO

OCTOBER 6
The Future Public Health & the Pharmaceutical Industry in Europe
New measures for public health adopted or proposed by the European Commission: important debate between health sector *professionals, national legislations, social* security organisations, pharmaceutical industry representatives, consumers and officials from the European Institutions.
Club de Bruxelles,
tel: (322) 771 9890 fax: 770 6671
BRUSSELS

OCTOBER 10
New European Legislation on Packaging and Packaging Waste
Around 50 million tonnes of packaging waste are produced every year in the European Union. The consequences for industry, environmentalists, local authorities, transporters, distributors and *consumers of a forthcoming EC directive* will be debated in full with EC experts and those concerned.
Club de Bruxelles,
tel: (322) 771 9890 fax: 770 6671
BRUSSELS

OCTOBER 10/11
The Private Banking Challenge: Survival or Success
Designed for senior bankers responsible for private client business and chaired by Russell Taylor, author of Private Banking *Renaissance, this international conference* considers ways to meet client service requirements while maintaining profitability.
Enquiries:
The Event Organisation Company
Tel: +44 71 228 8034 Fax: +44 71 924 1790
LUXEMBOURG

OCTOBER 10 & 11
Money Laundering - After the FATF Recommendations
Fraud is the disease of the 20th century but Money Laundering is the scourge of financial institutions. This conference looks at methods used to detect and prevent money laundering in financial institutions. International speakers - *including Enforcement Agency personnel* will discuss the pertinent issues.
European Study Conferences Ltd
Tel: +44(0)71 386 9322
Fax: +41(0)71 381 8914
GENEVA

OCTOBER 19-20
Plain English Campaign's
3rd International Conferences
Washington DC
Telephone 0663 744409 for details
WASHINGTON

OCTOBER 26 & 27
FT India's Economic Renaissance
This high-level FT conference will provide a unique opportunity to review the government's liberalisation programme and assess future prospects for business and investment.
Enquiries: Financial Times
Tel: 081 673 9000
Fax: 081 673 1335
DELHI

NOVEMBER 8-9
European Union Aid for Development Conferences
Business Opportunities in EC external aid projects to the value of *5* billion ECU annually outlined, including PHARE/JOPP, TACIS, MED, A/LA, and ACP. Networking with EU and new member state companies. Procurement *opportunities for manufacturers/* suppliers. 200 page EUROAID GUIDE on EU aid programmes included.
Contact: Société Générale de Développement S.A.
Tel: +322 512 4636 Fax: +322 512 4653
BRUSSELS

5-6 DECEMBER 1994
COMPETITIVE INTELLIGENCE
Seminar for managers who want to learn how Competitive Intelligence supports both operational effectiveness and strategic positioning. Topics include aims and role of intelligence in *firms*, *collection* methods, analytical techniques, organisation, and counter-intelligence. Principal lecturers are former professional intelligence officers.
Contact: Business Research Group
Tel: 022 929 1900 Fax: 022 788 0824
GENEVA

MARCH 27-29 1995
"Sub-Saharan Oil & Materials" Conference
Co-hosted by the SA Chamber of Mines; Gabonese Ministry of Mines & Energy; Nigerian National Petroleum Corporation; Sonangol; and Europe Energy Environment. Speakers include Cabinet Ministers from over 25 African countries.
Please contact Europe Energy Environment, 3 Hayne Street, London EC1A 9HH.
tel 44-71-600-6660, fax 44-71-600 4044.
JOHANNESBURG

هكذا من الأثر

MANAGEMENT

Emiko Terazono and Christopher Lorenz explain how Fuji Xerox's desire to spread its wings is putting a strain on relations with its US parent

An angry young warrior

Of tbe many joint ventures between American and Japanese companies, Fuji Xerox has long been regarded as a model. The Japanese affiliate of Fuji Photo Film and Xerox, the US copier maker, has not just been a success in its own right. It also rescued Xerox from oblivion in the 1980s by supplying it with a string of successful products. Even more important, it has provided its US parent with a continuous flow of object lessons in bettar management techniques, notably total quality and "benchmarking".

Xerox has since transferred its "TQM" and benchmarking expertise to a bost of otber companies in the US and Europe, making Fuji Xerox as influential a source of management expertise – albeit an indirect one – as Toyota in manufacturing or Sony in innovation.

At the age of 32, with 27,000 employees and revenues last year of Y706.6bn (£4.6bn), the 50-50 venture is pretty mature by the standards of most inter-company alliances. But, in common witb many younger ventures, it is suffering a delayed bout of growing pains over relations with one of its parents.

Set np in 1962, its success in the low end of the copier market in the 1970s and 1980s contrasted sharply with Xerox's problems. The troubles of the US group were so severe at one point that the joke among consultants was that the Japanese affiliate would buy out its American parent.

Now, when a resurgent Xarox is reorganising many of its international operations in order to improve what it calls the "line of sight" (direct influence) of its US-based business divisions over their markets around the wurld, Fuji Xerox is straining at the leash. It claims – as it has often done in the past – that it is finding the group's organisation an increasing constraint on its own growth. The group structure divides global responsibilities geographically between Xerox, Fuji Xerox and Rank Xerox, the European affiliate.

Under this arrangement Fuji Xerox's external sales are limited to the Asia-Pacific region, although it also supplies a substantial volume of products and designs to the Xerox network in North America and Europe. The latter are thought to accomt for about 10 per cent of its revenues, slightly more than its Asian sales.

"As our client companies expand globally, we are finding that the group's division of territories is bampering business and making it hard for us to counter the competition," says Toshio Arima, strategic planning director of Fuji Xerox and the main link with Xerox on policy matters. "It's a very difficult problem and we are trying to solve things one [issue] at a time," be says.

PROFIT AND SALES

(Ybn)	Sales	Profit Pre-tax	Profit After-tax
1983	263.9	26.3	11.1
1984	304.5	30.7	12.2
1985	347.3	33.5	14.1
1986	355.8	29.4	11.9
1987	427.4	36.8	15.4
1988	457.5	48.6	22.2
1989	490.3	52.5	22.3
1990	539.2	54.2	23.2
1991	621.2	48.6	22.3
1992	681.9	38.9	15.5
1993	706.6	39.4	16.7

Arima says effective technical and service support of Japanese multinationals is one issue which needs to be resolved, while a global manufacturing strategy to improve competitiveness is another.

Jeff Kennard, who for five years was executive assistant in Tokyo to the venture's president and is now director of Fuji Xerox relations at Xerox headquarters in Connecticut, counters in the friendliest of tones. He says Fuji Xerox already copes with this prohlem by having account executives around the world who, in conjunction with local representatives from Xerox or Rank Xerox, deal successfully with global customer companies.

Although he stresses that Fuji Xerox can only operate "where the agreement allows them to", Kennard, who is one of five Xerox westerners on the venture's 28-person board against only two from Fuji Photo Film, points out that the affiliate's territory was expanded only four years ago.

In addition to Japan, it previously held the right to sell in Indonesia, South Korea, the Philippines, Taiwan and Thailand. In 1990 it acquired the Australian, New Zealand, Singaporean and Malaysian markets from Rank Xerox. The Japanese affiliate had argued since the early 1980s that Rank Xerox's strategy of targeting the high end of the market was ineffective.

While Fuji Xerox has considerable autonomy in developing and marketing products for these countries, its design of products for multinational markets is now subject to close co-ordination with the US and European organisation – a form of control which, however sensible, sometimes irks Japanese pride.

At US headquarters, Kennard says that although the separate nature of the two organisations causes inevitable complexities in the co-ordination of strategy, technology, product development, manufacturing and marketing to key customers, "we're proud of bow well the two managements work together".

They must do so even more closely now that digital technology is turning the copier business into an integral part of the information technology industry – a trend which will expose Xerox to even stiffer competition than in the past.

As Kennard says: "It's a bit like a husband and wife. You don't just order people around if you want to maintain a good relationship."

This is not tbe first time that American satisfaction with the relationship has been matched by an urge on the Japanese side for more independence over wbere and bow to do business.

The issue has been endemic to tbe relationship for well over a decade. It rests partly on Fuji Xerox's stubborn independence in the past in product strategy, which paid off handsomely on repeated occasions, and partly on a long-standing view, in the words of one Fuji Xerox manager, that "our [world] market should be protected by ourselves".

There has also been resentment over the years that, because of the territorial agreement, Fuji Xerox could never achieve as high an export ratio as independent rivals such as Canon. This, the Japanese believe, puts a brake on the joint venture's growth.

This tension is reinforced by the usual clasb between Japanese and western priorities. In common with other Japanese companies, Fuji Xerox has placed more

emphasis on growing its market share than on increasing its profitability and return on assets. The balance has had to be redressed somewhat since its profits were hit by the recession in 1991, but there is still comment within the venture that this difference contributed to its rise and Xerox's decline during the 1970s and 1980s.

In its early years Fuji Xerox managed to position itself in Japan by doing business very much the "Japanese way". When the joint venture was set up, the manufacturing was done by Fuji Pboto Film, and day-to-day operations were looked after by former Fuji managers. Today Fuji Xerox still prides itself on being more Japanese than a Japanese company.

However, a contract between the two parent companies stipulated that as a shareholder, Fuji Photo Film could collect information from Fuji Xerox but could not use it in its own operations. This limited the extent of Fuji Pboto Film's involvement in the affiliate. Its direct role was virtually terminated when production was transferred to Fuji Xerox in 1971.

Another element whicb heightened the sense of autonomy was the technology and licensing agreements made between the US parent and the venture. "The agreements are like those between two independent companies, rather than loose acknowledgements of the sort whicb exist within Japanese companies," says Arima.

In the early 1970s, Xerox grudgingly allowed Fuji Xerox to go its own way in researcb and product development. The Japanese subsidiary wanted to expand market share by developing cheap compact copier machines for outright sale, while Xerox's main priority was maintaining large profit margins and return on assets by targeting the high end of the market – and continuing its traditional policy of rental.

Fuji Xerox also foresaw Japanese companies threatening the copier market once Xerox's xerography patents expired in the early 1970s.

Strong leadership belped tackle tbese problems. In spite of Xerox's initial demand that the venture stop R&D in the low end of the market and desist from direct sales, the Japanese affiliate forged ahead with its own agenda under Yotaro Kobayashi, then president and now chairman.

Having suffered badly in the Japanese market at the hands of arch-rival Ricoh, Kobayashi initiated Fuji Xerox's quality control programme, which eventually led to the company winning the Deming Prize, awarded to companies that show outstanding quality management.

It was only in the late 1970s that Xerox finally woke up to Japanese competition – and, with it, the full virtues of its offspring. With its back against the wall, it started importing the low and mid-market copiers from Fuji Xerox which it had at first scorned. It adopted the venture's quality discipline of halving manufacturing defects and slashing the number of suppliers. By as early as 1980 the benchmarking of its operations against those of Fuji Xerox had helped it to narrow sharply the 50 per cent cost gap that had existed with its Japanese rivals, and it made further progress in subsequent years.

All this, plus the increasing importance of Fuji Xerox's financial contribution to the Xerox group's earnings, brought the two sides much closer than they had been. During the 1980s they intensified co-operation on research, product development, manufacturing and planning, and exchanged more personnel than in the past to reinforce the relationsbip.

For the Japanese, the sense of being an equal was beightened further this year wben the original Technology Assistance agreement governing the relationship between tbe two companies, and under which Xerox licensed technology to Japan, was upgraded into a Technology Agreement. The difference in wording is marginal, but it reflects the fact that the flow is now two-way – although Kennard points out that it is still mnch greater from the US to Japan than vice versa.

At a time wben tbe yen's sharp appreciation is eating away export profits and the focus in the group's technology has shifted from hardware to software, Arima says Fuji Xerox is once again looking to its parent for its some of its R&D capability.

To the consultants' old joka about buying Xerox, he says: "We wouldn't dream of it. We're good at making the boxes, but they're better at creating added value."

Kennard adds that the possibility of Xerox buying out any of Fuji's stake is just as unthinkable. Sucb a move was considered by tbe Americans in the late 1960s when Xerox took 51 per cent control of Rank Xerox, and again in the 1970s when Fuji Xerox stepped out of line by starting to design and make its own copiers. But recently it has not crossed anyone's mind, Kennard insists.

The effect of Xerox obtaining even 51 per cent would be negative, be says. "We wnuld risk alienating management, burting the well-earned pride of tbe Japanese employees and throwing away the stimulus which Xerox gets from the healthy tension between the two of us." On top of that, be says "how much practical control we could get would be questionahle."

DESERT ISLAND MANAGER

Lord Alexander

Lord Alexander of Weedon QC, 58, is chairman of National Westminster Bank. He has been chairman of the Takeover Panel, and chairman of the Bar Council. He is currently deputy chairman of the Securities and Investments Board.

What would you take with you?
My family. We have a builder, cook, vintner, garden designer, decorator and banker. We could set up a travel lodge, Relais and Châteaux style, with a journalist to handle the publicity and an insolvency lawyer if it fails spectacularly.

What technology would you need?
The machine of the near-future: a voice-activated word processor. I would need 48 hours' notice of departure for a quick training course. Then I could simply live by talking, the ultimate joy for an advocate.

What would you like to leave behind?
London's polluted air. My own slight asthma returned this year for the first time since youth. Pollution levels are intolerable, and I should lika to stay marooned until strong environmental action has been taken.

If 10 per cent of vehicles produce 40-50 per cent of air pollution, it seems an admirable first step to clamp down on them. Meanwhile, we could use the island versions of public transport – walking and swimming.

Anything else?
The way in which customer complaints are sometimes covered in the tabloid press. Sometimes they are sadly accurate, which upsets us all. But when they are distorted or over-hyped, they are annoying.

What would you miss most?
The theatre. The Royal Shakespeare Company and the National Theatre are among our country's greatest glories. Charades by the camp fire would not be the same.

What books would you take?
"Other Men's Flowers," the poetry anthology compiled from Lord Wavell's memory. And the complete Dickens. I love the 19th century but history books can be dry. He is a wonderful chronicler of its darkness and light, richness and drabness.

It would make me think about how much of our society has its roots in the last century – the parliamentary franchise, the social mores, and tbe infrastructure we still rely on. It was a time when we had come through the most raw and crude parts of the industrial revolution but there was still an extremely powerful economic engine in this country.

What would you eat and drink?
The island's fisb and vegetables would supply our every want. My taste in drink is simple. Champagne in winter and beer in summer.

What would you do for exercise?
I would take a beach cricket set.

An item to preserve sanity?
My London diary to remind me of the contrast. I feel that I am always *rushing* at work, and when the pressure is released on holiday it is glorious.

John Gapper

Little taste in flavour of the month

LUCY KELLAWAY

Just in case it had escaped your notice, this is the year of the London Taxi. It might sound daft to call a year after a means of transport, yet it is no dafter than calling a month after a management fad.

In October, the US will celebrate National Quality Month. For those four weeks there will be general rejoicing over the techniques of total quality management, and newspoper and magazines will be filled with articles on best practice and recent innovations in TQM.

On the face of it, Quality Month seems a pointless exercise. TQM is not a new phenomenon that needs promoting, neitber is the sort of worthy project – like planting a tree – that requires a special day devoted to it to spur people into action. Yet Quality Month has become an institution in the US: it has been running for 10 years, and is still going strong.

On closer inspection, the event is anything but pointless. It is an opportunity for some big US corporations to tell us how marvellous they are, and for the consultants who have made a killing out of TQM to lay out their stalls.

The latest Fortune magazine contains a 40-page special section on the shindig, packed with advertisements for the companies that are sponsoring the event. Ford declares that it gives customers "the best service on earth"; Coca-Cola shouts that its "commitment to quality is judged 705m times avery day". Chase Manhattan, General Motors, Goodyear, and many others boast about how long they have been quality devotees, and how dedicated to the movement they are.

While as a management tool, quality is old bat and flawed to boot, as an advertising message it is still powerful. Yet as I turned page after page of these advertisements, I wondered if the top of that cycle had been reached. When one company tells us about the quality of its employees, its service or its product and about how hard it tries to delight its customers we may feel impressed. But when everyone is noisily delivering the same message the impact is lost.

As far as I know, there is not yet a special month devoted to partnership sourcing. And just as well: last week this fashionable management notion received some serious hlows. A.T. Kearney, the management consultants, has just published a report showing that while 90 per cent of companies are interested in tbe idea, those who have tried it are sceptical. More momentous, Intel and Compaq Computer, whose business interests as customer and supplier are irrevocably linked, were revealed last week to be at daggers drawn over differences in strategy.

Disappointing it may be, surprising it is not. The idea behind partnership sourcing is a pleasing one: customers and suppliers should stop their vain struggle for power and for margin, and instead join hands in product development and marketing for their mutual advancement.

But it is a fantasy to expect these partnerships to work effortlessly. All relationships are difficult – one in three marriages ends in divorce, and in the case of busband and wife the liaison is not usually built on a fundamental conflict of interest. In the case of two separate companies, both of which are trying to maximise their own profits and pursue inevitably different strategies, it is amazing that any partnership sourcing arrangements ever work at all.

There are plenty of seminars that promise to turn humbling managers into world-class communicators. But there is a sad lack of more modest courses which accept that inept people are not going to change, and instead offer them advice on how to extricate themselves from the regrettable situations into which they stumble.

I felt the absence of any such lessons the other day when I got myself into hot water at the Savoy Grill. I was greeted at the entrance of this famous hmching haunt by the maitre d'. Due to temporary memory failure, I gave him the wrong name of my host. He told me that there was no sucb booking, and sent me to the hotel's other restaurant, where there was a reservation in the name I had given.

For half an hour I sat at someone else's tahle scattering bread crumbs and sipping the drink I had taken the liberty of ordering. There was some consternation when the real occnpants turned np, until an immaculately polite waiter inquired whether I was in fact due to dine with someone of a different name who had been patiently waiting all this time in the Grill.

I could see no alternative than to tell my host the whole ugly truth, hut with hindsight I wonder whether there was not some more graceful form of escape. I know all those techniques for remembering peoples names like repeating them over and over when you are first told them. But this was a more serious lapse. Mayhe if you can't remember the name of a business acquaintance who you know qnite well you are beyond the help of any mere management course.

Vindication for odd man out

Bryan Magee on **Karl Popper,** the great philosopher, who died at the weekend

Until he died oo Saturday at the age of 92, there were many who regarded Karl Popper as the greatest living philosopber. Yet he was never in fasliioo with other professional philosophers. This fact had important consequeoces. One is that he exerted more influence outside philosophical circles than in them, especially in the fields of scieoce and politics. Another is that his influence on academic philosophy lagged many years behind his work. Over the last 20 years he has become a world figure for ideas produced half a century ago. His period of greatest influeoce may be yet to come.

Karl Raimund Popper was born in Vienne in 1902 into an uousually gifted family. His father was a successful lawyer involved in social work and actively interested in philosopby and the arts; his mother was a talented musician from a family that included the cooductor Bruoo Walter. Both were Jews who had been baptised, with the result that Popper's upbrioging was Lutheran.

For nearly 10 years he was a studeot at the University of Vienna in physics, mathematics, philosophy, psychology and music. During those years the logical positivism of the Vienna Circle became high intellectual fashion, as did its seductive "verification principle". This asserted that any statement about fact bad to be verifieble if it was to claim content: if it was unverifiable it was not false but meaningless, for if no observable state of affairs would reveal whether it was true or false there was nothing it conveyed. The intention was to eliminate metapbysics, including religion, from rational discourse. Popper pointed out that it eliminated also the whole of science.

This was because – as he famously argued in his seminal book *The Logic of Scientific Discovery* in 1934 – scientific laws cannot be verified. From oo finite number of observatioos can an unreatrictedly general statement, such as a scientific law, he deduced. However, since any such statement is contradicted by one single counter-example it can be proved wrong even though it cannot be proved right, and it can therefore he tested against reality. The scientific theories we accept et any given time are those that have stood up to tests so far, bot they remain conjectural, and will almost certainly be refuted and replaced hy better theories.

Apart from Einstein, Popper prohebly did more than any other individual to change the 20th century's conception of science. And he showed that since our scientific knowledge is the most reliable knowledge we have, such a change radically alters our conception of the nature of knowledge itself.

In doing this he developed a formidable armoury of arguments that were then trained oo the pseudo-sciences of Marx and Freud. The arguments with which he demolished their claims to be scientific are now as widely accepted as the arguments with which he demolished logical positivism; yet for decades he was the object of e hostility amounting sometimes to hatred for putting them forward.

The Marxist left denounced him as the blackest-hearted of reactionaries; but the truth is that the Popper who published *The Open Society and Its Enemies* in 1945 had been always left-of-centre. Only leter in his life did he drift from liberalism into conservatism.

Meanwhile, because of its positive doctrines, *The Open Society* established itself in the eyes of many (Isaiah Berlin, for instance) as the outstanding work of political philosophy of the 20th century. It has special relevance wherever human beings are attempting to establish democracy. The collapse of international communism, for reasons some of which Popper was the first to formulate, has given him a guru-like reputation in the former communist countries.

Popper left Austria in 1936. His first university teachiog job, which he took up in 1937, was in New Zealand, and he remained there until the end of the second world war. In 1946 he arrived in England to take up a readership at the London School of Economics, where in 1949 he hecame Professor of Logic and Scieotific Method. The rest of his career was spent at LSE, and the remainder of his life in Britain. He loved his adopted country. He was knighted in 1965 and made a Companioo of Honour in 1982.

A break in Popper's whole way of life occurred when he left Austria. Up to that point he had shown an inexhaustible appetite for social activity: left-wing politics, social work with the unemployed, teaching deprived children, helping arrange concerts of music by the naw Viennese school of composers. He lived surrounded by friends; and his marriage to a fellow student, Hennie, brought him lifelong happiness, although there were no children. But in both New Zealand and England, he and Hannie lived a much more reclusive life, in which all distractions from productive work were eventually aliminated. This made possible the uninterrupted production and publication of ideas that continued well into his 80s.

Popper regarded the analytic approach to philosophy, an approach that dominated his profession for most of his career, as an error: he believed that problems of substance were to he solved not by analysis but by new explanatory ideas. As for the view that philosophy's subject-matter is linguistic, he had no time for that at all: he regarded a preoccupation with words and their meanings as inimical to creative thinking (except, of course, in the field of language studies).

He made a conscious attempt to put his ideas forward in auch e way that nothing of importance depended on tha way be used words – though in fact he had a clear and pungeot style, full of character, despite the fact that most of his work had to be written in a language not his own.

Like many philosophers of the very front rank, he produced creative work across the whole range of philosophy. He made the biggest contribution of any to evolutionary epistemology (*Objective Knowledge*, 1972), and did outstanding work on the body-mind problem (*The Self and Its Brain* with J C Eccles, 1977), and on the philosophical implications of relativity theory and quantum mechanics (*Quantum Theory and the Schism in Physics*, 1982).

Popper's axiomatic systems for probability theory have generated a whole literature. He maintained a steady output of scholarly articles alongside his more original work – in his 90s be was still publishing major contributions to the study of the pre-Socratic philosophers of Ancient Greece. The many-sided story of his mental life is told up to 1974 in his remarkable intellectual autobiography, *Unended Quest*.

The fact that he was always, in every field, thinking afresh for himself, always original, always different, set him apart, and helped to make him a lonely figure. It also made him difficult to have dealings with. Tonchy, defensive, aggressive, over-intense, a workaholic, ha was not easy to like from a distance; bnt those close to him loved him for the utter genuineness of all his many interests and commitments, the self-forgetfulness of his devotion to them, and his absolute integrity – although that could be maddening at times.

The prolonged illness of his wife, who died of cancer just short of her 80th hirthday, was a cold, dark tunnel through which he had to pass in old age. But his own final years were an Indian summer of international recognition and personal happiness among people devoted to him. He was showered with doctorates and prizes. Heads of governments from different parts of the world made unpublicised visits to his home. At the age of 92, this odd man out – who had been unable to get any academic job until he was 35 – had lived to see his own vindication.

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NAMES IN THE NEWS

Dominique Damon to head Alusuisse

Two years ago, the Zurich newspapers grumbled bitterly when CS Holding, Credit Suisse's parent, and the Ciba-Geigy drugs group, decamped to London for their annual results press conferences, writes Ian Rodger. No question about it, they were betraying the homeland.

But last Tuesday, when Alusuisse announced that the chief of its packaging division, Dominique Damon, 47, was to become chief operating officer and the designated successor to Theodor Tschopp as chief executive, nary a xenophobic or misogynist squeak could be heard.

Damon is a French national, does not speak German well, does not speak Schwyzerdüütsch at all and does not stay at home every day to look after her daughter.

Nevertheless, the *Neue Zürcher Zeitung*, the daily oracle of true Swiss values, observed graciously that it was "pleasing to see that a woman will be the head of an important Swiss industrial group in the near future".

The quietly spoken Damon has gradually won over the Swiss with something they appreciate – the ability to make lots of money. In her hyperactive six-year career at Alusuisse, she has transformed a motley bunch of packaging businesses with annual sales of SFr744m into a highly profitable world class operation whose sales this year will exceed SFr2.5bn.

Last year's SwFr1.1bn takeover of the hig Canadian packaging group Lawson Mardon was her ninth acquisition, but she is proud of having kept the management teams largely intact at all of them.

A career executive with long experience at the Danone and Carnaud groups in France, she believes her most important role is convincing her managers and employees to believe in their company's goals. Otherwise, she says, the risk grows that they will sabotage them. So she spends a lot of time travelling.

Indeed, the joke at Alusuisse is that Damon, for all her success and influence, has no office. She smilingly agrees, saying she keeps up with the paperwork "by telephone and fax". Perhaps she is on to something.

Diplomatic move by Volvo

It has been clear that Volvo has been looking to beef up its corporate communications team ever since the fiasco of its failed merger with Renault last December, writes Christopher Brown-Humes.

But the vehicle group'a announcement last week that Lars Anell, Sweden's EU ambassador in Brussels, had agreed to take the newly created job of head of the corporate affairs section as a senior vice president certainly raised a few eyebrows.

After all, he still has two years to run in his current post – which he describes as the "best job in the Swedish civil service" – and he will be foregoing the chance of seeing his country into the European Union next January.

There is also the fact that Anell has been a civil servant all his working life – apart from his time in Brussels, he has been Sweden's ambassador in Geneva and served as chairman of GATT for two years. The closest contact he has had with Volvo is the model of car he drives. So what has prompted the move?

Anell admits it wasn't an easy decision but says the crucial factor was his age – he is 52 – and the desire "to try something new. This was probably my last opportunity to have a substantial career in private industry," he says.

The role will be a broad one. Apart from the media and investor relations side, he will be asked to evaluate broader political and economic developments. He will also be expected to boost the group's presentational skills, avoiding, if possible, the sort of furore that blew up last autumn after an initially favourable reaction to the Renault plan.

Anell's political/economic experience is clearly one of his main qualifications for the post. But he will also bring to Volvo the sort of international contacts it has lacked since the acrimonious departure of former chairman Pehr Gyllenhammar last December.

Allen: Tenneco's liaison in Europe

Tenneco has put Ken Allen, a 14-year company veteran whose strengths lie in law and finance, in charge of managing its operations in Europe, writes Laurie Morse.

Tenneco has not had a co-ordinating executive in Europe for many years, and Allen's appointment, the company says, is evidence of its commitment to achieving a truly global presence in all its husinesses.

Allen will serve as liaison officer between Tenneco's five companies – Alhright and Wilson Chemicals: Case farm and construction equipment; Monroe and Walker auto parts; Packaging Corporation of America, and Tenneco Gas – and serve on Tenneco's European Advisory Council.

Just as important, he will serve as the eyes and ears in the Europe for Dana Mead, Tenneco'a chairman. Tenneco, with $13bn in sales in 1993, has spent the past two years stabilising and revitalising its US operations. Now it is seeking overseas investments. Allen's joh, in part, is to pinpoint business opportunities and takeover targets for the company.

"Ken Allen is a good man for this job," says Mead. "He's a lawyer fellow who has run companies himself, and has headed environmental and risk management departments, which when considering operations in Eastern Bloc countries these days, is very important. He has experience with acquisition financing, and will be a catalyst for our businesses over there."

The 55-year-old Allen, who is based in London, reports directly to Mead. Allen spent much of his early career in the insurance industry, coming to Tenneco from Southwestern Life in 1980 when it was acquired by Tenneco. By the time Tenneco sold Southwestern Life in 1986, Allen had risen to become its chief executive. He served as Tenneco's deputy general counsel from 1987 until being named managing director for Tenneco Europe on August 1.

MEDIA FUTURES

Where soft touch meets hard sell

Victoria Griffith reports on America's strong push towards interactive advertising

The coming year will be a vital one for interactive advertising, as dozens of magazines *and* newspapers go on-line and fibre-optic cable television trials are run in tha US.

Interactive advertising allows consumers to control the amount of information they receive about a product. Anyone who has scratched-and-sniffed a perfume advertisement has used interactive advertising, albeit in its most basic form.

At the other end of the spectrum, advertisers envision customers digitalising an image of themselves and trying on clothes on a TV screen, or test-driving a new car model through virtual reality.

Interactive advertising, in its truest form, provides layers of information to draw in the consumer. For instance, J Walter Thompson, the advertising agency, has developed an interactive advertisement for Ford, which *is now* available on Prodigy Online. The Prodigy user is invited to explore tha Ford automobile by clicking on different parts of the car. Click the mouse on the hood, for instance, and a model of the engine appears. Click on the engine, and a full description of its mechanics is made available.

Now *interactive advertising is* poised to move from an experimental phase to a defined medium. "By this time next year, we should have a lot better idea of which direction we're going in and how fast we'll get there," says Robert Berenson, president of the advartising agency Grey New York. "The Time Warner TV trial, (which will contain an interactive capability), will be in place by May next *year, and we'll have a lot more* magazines and newspapers on the Internet."

The bordars between entertainment, information services and home shopping networks get blurred in the interactive advertising mix. Nintendo, for instance, has a game out called Cool Spot, based on the red dot on a can of 7-up soda. Where fun ends and advertising begins is difficult to say. Interactive advertising will also offer chances to buy products through a personal computer or TV set.

Tba ultimate goal of interactive *advertising is to* lead *consumers* from the initial arousal of interest to the point of sale. Tha New York Times, for instance, plans to offer a service allowing on-line readers to access theatre reviews, then make a reservation for a certain show.

The telecommunications group US West is launching a number of TV-based interactive advertising services. One, City Key, is available at a number *of hotels*, and *lets users* "*take* a tour of the city" on TV. The hotel guest can click on different cinemas, restaurants and museums shown on the screen in order to obtain more information.

Technology is the main limiting factor for interactive advertising right now. "We have so many ideas, bnt the technology isn't there yet," says Jean Pool, senior vice president of J Walter Thompson. "Since most places are not hooked up to the Internet, in most cases, the user still has to reach for a pbone. An on-line reader cannot look at a *restaurant review and make* a reservation for a table, because not many restaurants are hooked up to an on-line service."

Technology is advancing rapidly, though. Last week Cybercasb Inc, formed by executives from the Internet and the electronic payment industries, announced plans to develop a system giving on-line browsers the chance to pay for an item by credit card or bank transfers.

Until tba fibre-optic TV stations take off, the main experimenting ground for interactive will be the on-line services. "The Internet is the only place right now where you can access a relatively large audience and try some of these strategies out," says Clifford Friedman, senior managing director of the media and technology group at Bear Stearns, the investment bank.

One reason companies and agencies are so excited about interactive advertising is that they believe it will be much more effective than passive advertising. "Studies show that when people have to respond physically to an advertisement, it's much more likely to result in a sale," says Norman Lehoullier, head of Grey Interactive.

With the technology rapidly falling into place, interactive advertising looks set to occupy a significant portion of the advertising mix at many companies. "It's not even a question of years, but of months," predicts Marc Andressen, vice-president of technology at Mosaic, the software group. "Interactive will be a prevalent form of advertising by the beginning of 1995."

Full phone listings

By Andrew Adonis

It used to be hard enough to get an itemised phone bill. Now Energis, the newest UK long-distance phone company, is promising business customers a full "telephone management" service.

In addition to a list of all ontgoing calls, subscribers will get information on the numbers of incoming calls – including the number of calls unanswered and the average length of time taken to answer a call. This will be broken down into different time periods of the day.

The facts will be issued monthly – and are bound to concentrate the minds of telephone managers wonderfully.

Multimedia moves into O.J.'s courtroom

By Louise Kehoe

When the double murder trial of O.J. Simpson, the former American football star, gets under way in Los Angeles an elaborate multimedia system will be used to present evidence to the judge, jury and millions of armchair jurists watching the courtroom drama *on television.*

Simpson's lawyers say that they plan to use the system, provided by Trial Presentation Technologies, to display evidence on a large projection screen in the Los Angeles courtroom. The same images will also be displayed on smaller monitors for the judge and lawyers, and be available to TV networks.

Instead of propping up a chart, holding up a photograph or simply referring to documents, in the conventional *manner, Simpson's lawyers* will be able to select computer graphics, text, video or animations previously stored on computer discs. Diagrams of the murder scene, or of the now-infamous O.J. Simpson estate, *will be displayed on a* 67in video screen.

Text of the proceedings will be translated automatically from the phonetic system used by the official court reporter, and will be available to the judge and lawyers should they wish to refer back to previous testimony without delay.

This is likely to be the second time that the multimedia system has been used in a US criminal trial. The first occasion is expected to be the trial of two off-duty policemen accused of shooting a highway patrol officer, scheduled to start in Los Angeles today.

But the system has been used widely in civil cases, where it has proved valuable in presenting complex issues to juries, says Pamela Huenke, chief executive of Trial Presentation Technologies, a Los Angeles company that is pioneering the use of multimedia technology in the courtroom.

The technology has important advantages, she says. "*Typically, jurors do not* see exhibits until the end of the trial when they go into the deliberation room." The computer system enables them to view the evidence as it is being discussed. In addition, visual displays typically help people to retain more information during lengthy court proceedings.

The equipment which is to be installed in Judge Lance I*to*'s court for the Simpson trial will be worth about $120,000 to $185,000, but will be loaned to the court by TPT. The opportunity to demonstrate the system in what is expected to be America's most avidly-viewed trial is regarded as sufficient reward.

Lawyers are conservative creatures, says Huenke, and have been slow to adopt technologies that are already established in business. She is confident, however, that the Simpson trial will demonstrate the advantages of multimedia and put to rest concerns that it detracts from the serious nature of the proceedings.

Simpson: lawyers will make use of elaborate multimedia system

PA invents a freer press

By Raymond Snoddy

In the last century, Reuters used pigeons to be first with the news. And in past decades one of the first tasks of a journalist away from the office was to make sure there was a phone box nearby, so that he or she could file a story to copytakers. All that changed with the advent of the mobile telephone. And now the Press Association, the UK domestic news agency, has taken the process a step further. It has put together the laptop computer with mobile radio communications to prodnce Journalist 2000 – a system that frees journalists from the need for telephone systems of any kind when filing their stories.

PA news reporters used the system in their coverage of the D-Day commemorations, filing from the Normandy beaches and on-board ships. Defence correspondent Charles Miller filed his piece on the ceremony in tha Bayeux cemetery direct from a laptop resting on a gravestone. Brendan Berry was aboard the Canberra and filed copy from the middle of the Englisb channel.

Journalist 2000 combines a Hewlett Packard Omnibook with a mobile modem, linking the 2.8lb portable computer to the RAM, mobile data network. Once a story is tapped into the laptop there is little to do but key in the password and press the return key. The story is then transmitted in seconds to the PA database in the news agency's Fleet Street, London headquarters.

Because of the success of the system, PA is now experimenting with Journalist 2000 operations from other countries in Europe and the US – particularly for sports coverage. The system – PA believes it is the first of its kind – also allows two-way communications. Journalists can use it to go into their own computer data baskets at headquarters. Thus they can pick up messages, ensure their articles have arrived safely or keep in touch with breaking stories in the PA news file.

D-Day: Berry and laptop

PA has already equipped more than 50 of its journalists with Journalist 2000 and is now trying to market it to other regional and national news organisations.

The hardware costs around £3,000, most of which is accounted for by the powerful notebook. But the subscription charge, for unlimited use of the network, is £45 a month.

This almost certainly makes the PA system cheaper to use than the obvious alternative – a laptop with a modem connected to a cellular telephone.

ARCHITECTURE

Daring to be different

Colin Amery looks at the career of Theo Crosby

It takes courage to be different, especially if you are an architect trained in the 1930s but interested in much more than dogmatic modernism and the narrow world of contemporary architecture.

Theo Crosby, who died last week, was a gentle genius who loved architecture, design and communication. It is hard to think of many other architects of his generation who worked so hard to restore architecture to its broader base and to develop links between the members of a polarised profession.

He was born in South Africa in 1925. When be came to England in the 1940s he worked with leading modernists Jane Drew and Maxwell Fry, and later Denys Lasdun. He was always interested in the architectural debate and, as technical editor of the influential magazine *Architectural Design*, combined writing and design work. It was his interest in communicating and discussing architcctural ideas that made him so mucb broader and wiser than many of his colleagues. His journalism was often original and always questioning.

He also saw the value of exhibitions – the Whitechapel Art Gallery exhibition *This is Tomorrow*, held in 1956, was a crucial sbow that demonstrated how modern architecture could change the world.

Theo Crosby saw through much *architectural dogma, and* the varied highlights of his career show that be was a fast mover, able to put his own stamp on a wide range of projects.

He was the leader of Taylor Woodrow's design team for the reconstruction of London's Euston station in the early 1960s, although I don't think he was ever *happy about* the demolition of the Euston Arch or some of the political decisions that influenced the design. His British pavilion at the Milan Triennale in 1964 won a major prize and led to more work for the British pavilion at the Montreal Expo of 1967.

By the mid-1960s he had created a partnership with Alan Fletcher, Colin Forbes and Boh Gill. Under the name Pentagram, this was to become one of the world's leading design firms. It put architecture into context and pulled together all the design disciplines.

Theo Crosby was always a benign presence in the firm's London offices, where his hospitality encouraged meetings and discussion groups.

It was later in his career that some of his more maverick sides emerged in his architecture. There is a fascinating *brick alevation*, at the back of one of the Nash Terraces in Regent's Park, which is almost Victorian in its richness.

He was chosen by Unilever to transform its London headquarters at Blackfriars and it is doubtful whether anyone alse could have persuaded the company to embellish a build*ing in the art-deco style.* He even succeeded in commissioning larger-than-life-size sculptures for the parapet and to involve several artists in elements of the building, from the lift doors to the board room furniture.

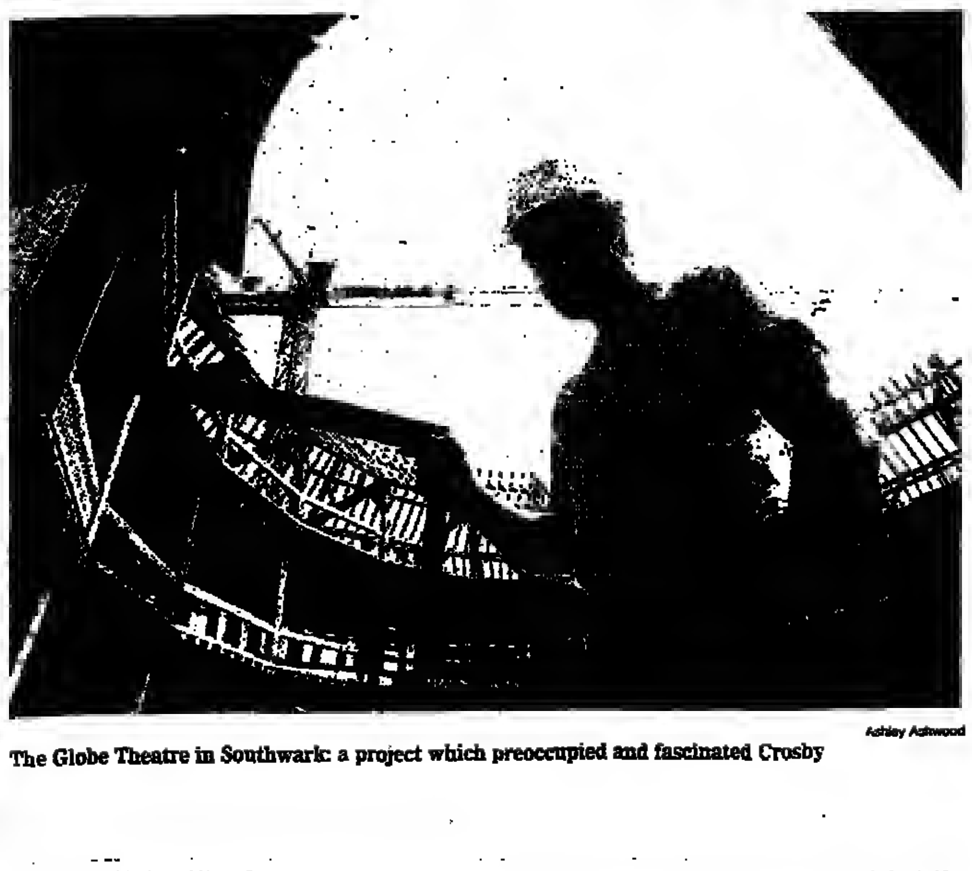
A project which preoccupied and fascinated him for a long time was the re-creation of Shakespeare's Globa Theatre on the banks of the Thames at Southwark's Bankside. With tha late Sam Wanamaker, he persisted against the odds, winning friends and influencing people until his design could be built.

Crosby's design is more than a "wooden O." While it has the replica theatre at its beart it also has towers, balconies and crenellations which will give Bankside the bumanity and richness it very much needs. The idea of the Globe appealed to Crosby as an extraordinary challenge to ensure scholarly authenticity while making the theatre work.

He loved theatres. Before he died he was working on a project for a new small opera bouse near his home in Spitalfields. With his wife, the artist Polly Hope, Theo Crosby presented an annual summer opera or concert at their home – the sight of Theo in a pale blue silk kaftan remains a memorable one.

Crosby led an inspired life full of creative energy: his design for the Globe must be completed. The sad thing is that his other London memorial had only just begun. Ha was commissioned (and welcomed the impossible task) to bumanise and refurbish the interiors of the Barbican Centre. I pray that will continue. It will be Crosby's greatest vic*tory* over *architectural dogma* and bring colour and joy to the City of London's impenetrable concrete monster.

Crosby: saw through dogma



Ashley Ashwood

The Globe Theatre in Southwark: a project which preoccupied and fascinated Crosby

Delays in Kuala Lumpur

Travellers to and from Kuala Lumpur have been facing frustrating delays due to radar problems at the city's airport, writes *Kieran Cooke*.

A recent fire – the third in 18 months – has knocked out an important radar installation and air traffic controllers have had to resort to manual tracking, which has led to the rescheduling of many flights. Departing flights are frequently being delayed for more than an hour – incoming passengers, particularly on shuttle flights from Singapore, also face problems.

It is likely things will not return to normal until next month.

Malaysia's department of civil aviation has reported two near misses at Kuala Lumpur since the radar went out of action. In the latest incident the department blamed a Singapore Airlines pilot for not following certain air traffic procedures during a landing approach.

Duty-free shopping

Drinkers should head for Milan and smokers for Madrid, according to a survey of duty-free shopping in the European Union.

But they should steer clear of London, which the European Consumers' Organisation found to be the most expensive place for either commodity.

The survey also found that Dublin was the cheapest place to buy duty-free perfume and Paris the best for cameras.

Lisbon was the most expensive for perfume, with at least one brand found to be markedly cheaper if bought in town rather than duty-free.

Frankfurt and Copenhagen were the two most expensive duty-free shops for cameras.

Cameroon strike

Cameroon's new international airport was open again on Wednesday after a one-day strike by air traffic controllers, firemen and meteorologists, claiming five months of unpaid wages.

Strike leader Vincent Baleba said he had called off the stoppage after government officials told him on Tuesday evening that four months arrears had already been transferred to workers' bank accounts.

But he warned that the strike would resume immediately if the full amount was not paid by September 20.

Emergency Landing

A Polynesian Airlines jet, carrying 72 passengers and crew, made an emergency landing last Tuesday after a stowaway, hiding in the right wheel well, jammed the landing gear on that side of the aircraft.

The unidentified stowaway was later found dead in the well. None of the passengers or crew aboard the flight from Tonga to Apia, western Samoa, were injured.

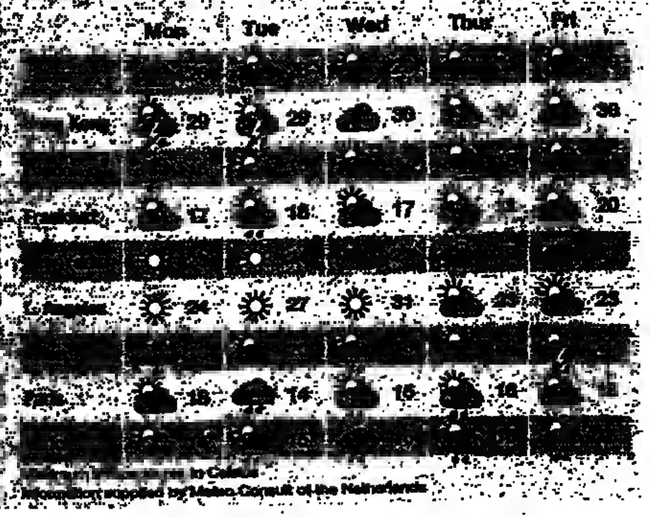
Crash in Algeria

An Algerian aircraft with 30 people on board, including a Nigerian soccer team, crashed in southern Algeria yesterday, killing four people and injuring 24 others.

The aircraft crashed at Tamanrasset's airport in the Sahara desert about 1,250 miles south of Algiers, according to the Algerian Transport Ministry.

Officials at the Tamanrasset airport said the aircraft belonged to Oriental Airlines.

Likely weather in the leading business centres



Motoko Rich on the pros and cons of buying just one ticket for a complicated series of flights

How to crack the code-sharing deals

Moscow to Des Moines, Iowa, in the farming heartland of the US, may not seem the most conventional airline route. You might imagine that such a journey involves four aircraft changes, three tickets, the risk of lost luggage, long walks across airport terminals and frazzled nerves.

But with just one ticket and one boarding pass, you can travel all the way. Or, for that matter, from Kuwait City to Phoenix, Arizona; from Copenhagen to Grand Rapids, Michigan; or any number of other improbable routes.

Your baggage will be checked all the way from your starting point to your final destination, and flight changes should be co-ordinated with connecting flights, on aircraft parked in nearby bays within the same terminal if possible.

These are the benefits of code-sharing, an increasingly popular arrangement which allows airlines to book passengers on each others' flights.

It means that on United Airlines' Moscow-Des Moines flight, you fly by Lufthansa, the German carrier, to Frankfurt; change to another Lufthansa flight to Chicago; and finally board a United aircraft to Des Moines.

Most large airlines have made alliances with others around the world: there have been about 120 liaisons, covering roughly 5,000 routes. Code-sharing partners include United and Lufthansa, British Airways and USAir, KLM of the Netherlands and Northwest of the US, and the multiple alliance of British Midlands with American Airlines and United. Delta of the US and Virgin Atlantic of the UK are still awaiting approval for their proposed agreement.

Airlines trumpet the benefits of such arrangements to their customers, but some consumer groups are concerned that they are not always in the interests of air travellers.

The US Department of Transportation discovered that 30 per cent of all US passengers booking international reservations on code-sharing flights do not know which airline they are flying when they purchase their tickets. Last month the department proposed new rules to require airlines and travel agents to disclose all code-sharing arrangements at the time a passenger books a flight. No such ruling exists or is proposed in the UK.

Consumer groups claim that passengers may end up on inferior carriers. "The pitfall is if the partner with which an airline ties up is oot in the same league in terms of quality of the service or safety levels," says Richard Smithies, assistant director for government affairs at the International Air Transport Association.

Large airlines say they would never go into a deal without conducting extensive safety and service checks on potential partners. "We have something like a Bible of requirements that a code-sharing partner has to adhere to," says Delta.

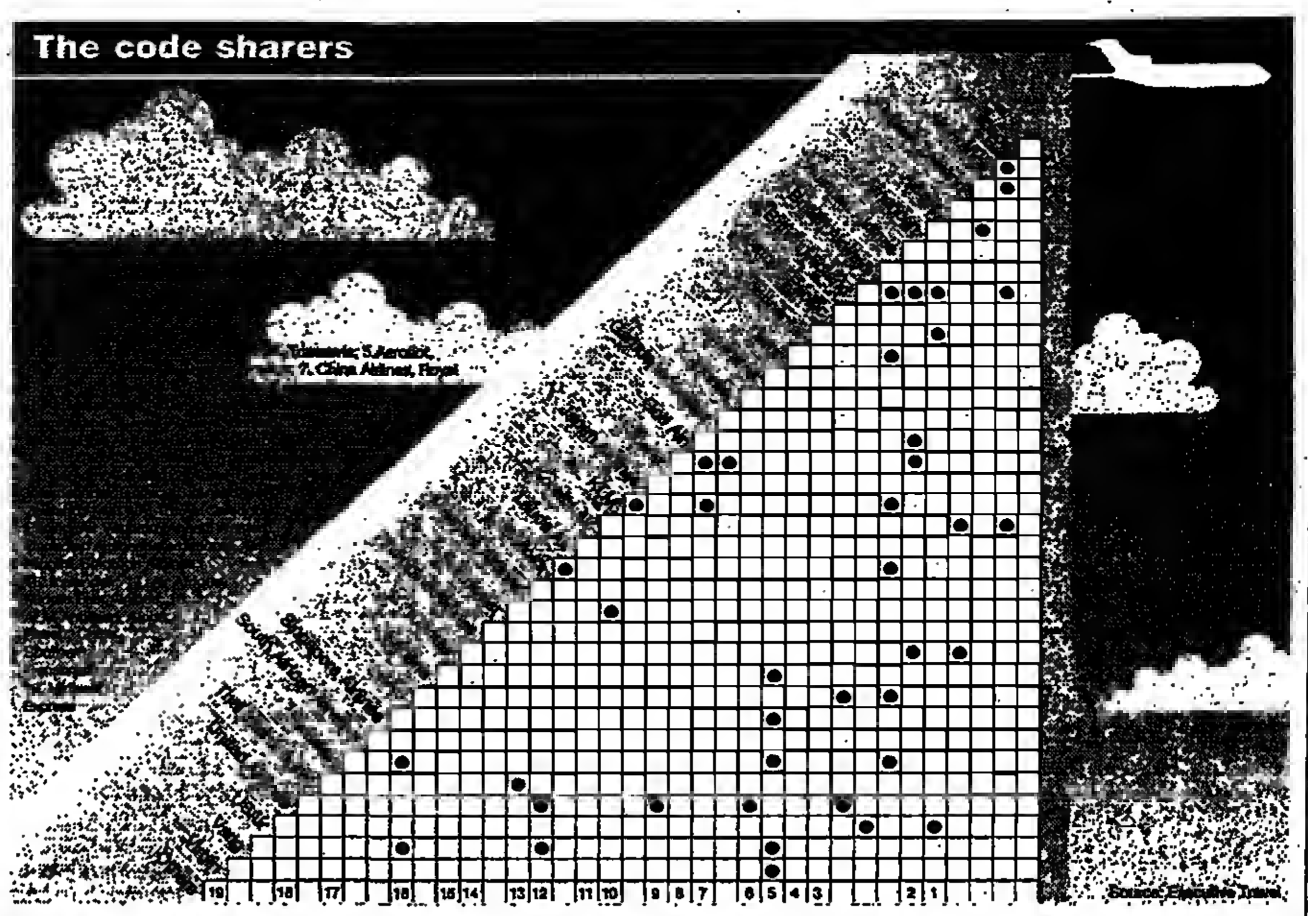
Most of the big airlines have internal policies requiring reservation officers to inform passengers of any code-sharing arrangements. But consumer groups say this is not effective. According to Tony Hockley, economic adviser to the Air Transport Users Committee: "Airlines can insist that passengers are told about code-sharing, but whether that actually happens depends on the point of sale. We are not convinced that all travel agents are trained in the use of code-share flights."

"We would expect our members to be as transparent as possible," says the Association of British Travel Agents. "But there is not a requirement about code-sharing in our code of practice."

The European Commission and the European Civil Aviation Commission have agreed that airlines may list a single flight no more than twice in computer reservation systems. Code-sharing makes multiple listings fairly easy, because each airline can list the flight under its own code.

In the US, the American Society of Travel Agents, the Association of Retail Travel Agents, American Airlines and Trans World Airlines are petitioning the US Department of Transportation to ban multiple listings of code-share flights in computer reservation systems. They believe such practices deceive consumers and push flights run by single carriers further down computer screens, causing travel agents to book the code-share flights rather than routes that could be more direct.

So if you want to know exactly which airlines you will be flying and where you will be changing, make sure to ask when you book the flight. And find out whether you will get frequent-flyer points for the entire trip.



Continental cuts fares to US for penny-pinchers

By Paul Betts

Continental Airlines is wooing the new hreed of penny-pinching business travellers, forced by their employers to fly economy class, by cutting its full unrestricted economy fares across the Atlantic by more than 40 per cent.

The large US carrier is launching what it calls "corporate economy fares" between London and 28 US destinations.

The airline said research had shown that business travellers flying in the economy cabin were unhappy with the high price they had to pay for flexibility. Unlike the leisure traveller, who often sacrifice flexibility for price, the business traveller needed to have a refundable ticket that could be changed at short notice.

Continental's new fares will, subject to government approval, cut the one-way price between London and New York from £423 to £249. One way from London to Houston will be £319 and to Denver £339.

The latest move by Continental is being closely watched by rivals. The UK's Virgin Atlantic, which offers a separate Mid Class cabin for passengers paying the full economy fare, said it was considering whether to match the new fares.

United of the US said: "If it's something where we compete directly with Continental, we will match their fares."

ARTS

OPENINGS

NATIONAL THEATRE LONDON
Lillian Hellman's play The Children's Hour – described now as the Oleanna of 1930s America, and known to many from the cinema – is revived on Thursday at the Lyttelton Theatre. A schoolgirl claims that her two women teachers are lovers and a witch-hunt begins. Howard Davies directs; Harriet Walter (left) stars.

PARIS
The Opera Bastille opens its 1994-5 season tonight with Verdi's "Simon Boccanegra". It will be Myung-Whun Chung's swan-song as music director. Ten days ago, the production appeared to be doomed by an acrimonious legal battle over the management's decision to sack the Korean conductor. Rehearsals finally went ahead after the Opera agreed to give Chung one last production and pay him compensation for the remaining six years of his contract.

SADLER'S WELLS
The splendid Cumbre Flamenca troupe opens a season of Flamenco dancing in London at Sadler's Wells tomorrow. This is the real thing – vibrant, intoxicating.

OSLO
The Oslo Philharmonic Orchestra celebrates its 75th anniversary on Friday with a royal gala performance of Schoenberg's "Gurrelieder" conducted by its long-serving music director, Mariss Jansons. The orchestra's recent recordings and tours have won it an enviable reputation – but given Jansons' increasingly high profile in the world's musical capitals, Oslo will be lucky to hold on to him for much longer.

MUNCH
Edvard Munch is the centrepiece of an exhibition opening on Friday at the Kunsthalle der Hypo-Kulturstiftung. It aims to trace the formative influence which Germany had on the Norwegian painter, and to show how he in turn influenced German art. Alongside 100 works by Munch, there will be paintings by German artists he admired and a selection of early Expressionists who found inspiration in works like "The Scream". The show later moves to Hamburg and Berlin.

Frankfurt: the end of an aria

Andrew Clark reports on the cultural crisis that has devastated the financial heart of Germany

To the outsider, Frankfurt betrays little sign of cultural malaise. Its annual music festival has just staged four world premieres. Recent celebrations marking the city's 1200th anniversary featured the Metropolitan Opera and a succession of international orchestras. Next month, the Frankfurt Opera will perform Wagner's *Ring*, the most challenging work in the repertory. Like the Frankfurt skyline, these events conjure an image of confidence and prosperity.

Behind the image, however, lies a devastated city. The vibrant, progressive culture of Frankfurt in the 1980s is now history – a victim of recession, reunification costs and political paralysis. Formerly one of Germany's richest cities, Frankfurt is now its most indebted. It can no longer afford to support its own cultural life, and has imposed the biggest cuthacks ever known in post-war Germany. It may have won the race to house a future European Central Bank, but it has lost its place in the vanguard of the arts.

Only a year ago, civic leaders were hopeful that damage to the arts could be limited if budget cuts were evenly spread. That view turns out to have heen short-sighted. Instead of stabilising, the city's finances have worsened, and political pressure on cultural spending has increased. Within 18 months the arts budget has shrunk by 13 per cent. This has had little impact on the wage-bill – civic employees cannot be made jobless against their will – but it has decimated morale and creative output.

The Frankfurt Festival, the most important event in the musical calendar, is being axed. For the past 13 years, it has commissioned new and experimental work, and given an international platform to local talent. This month's premieres are the last. The Alte Oper, the main concert venue, is privatising box office and technical services, and curtailing its own promotions. In future, it will focus on popular concerts, touring orchestras and self-financing events like the Met visit. Local choral and instrumental groups, which until recently formed the backbone of the programme, are being marginalised.

The Frankfurt Opera's 1994-5 programme is limited to 100 performances – half the 1986 total. Several productions, including *The Ring*, heve been borrowed from elsewhere, and the company will suffer the indignity of vacating its theatre at Christmas to make way for a touring musical. It may have to suspend all activity for the second half of next year – a tough prescription for a city which has traditionally counted itself one of Germany's musical centres. The artistic director, Sylvain Cambreling, has threatened to resign if the situation does not improve.

Although performing arts companies are the worst affected, the visual arts have also suffered. In January, museums were forced to introduce admission charges. Special exhibitions must now be self-financing. As a result, the museums for modern art, handicrafts and architecture have suffered a 30 to 50 per cent drop in visitors. "This reduces tha legitimacy of museums in the eyes of politicians," says Hellmut Seemann, managing director of the Schirn Kunsthalle, where the budget has been cut hy 27 per cent. "They can now argue that no-one is interested, making it easier for them to carry on cutting. What is going on is a tragedy. We need to build a cultural policy not from the viewpoint of the finance ministry, but with an eye for the long-term benefit to society."

Frankfurt has suffered more than other German cities for a variety of reasons. It has a smaller population than Hamburg or Cologne, and more low-paid foreigners. There are huge social problems, with drugs and unemployment high on the list. The better-paid white-collar workers – the biggest cultural consumers – live and pay their taxes outside Frankfurt in the state of Hesse. But unlike other German states with hig regional centres, Hesse pays nothing to support Frankfurt's theatres and museums – a cause of much bitterness.

Frankfurt also had further to fall. Thanks to the visionary policies of the former Social Democratic culture commissioner, Hilmar Hoffmann, it enjoyed a period of artistic regeneration on the hack of the 1980s economic hoom. Hoffmann helped to create the *Museumsufer* – a row of museums along the banks of the river Main. The Alte Oper, huilt from the ashes of the war-bombed opera house, transformed concert life when it opened in 1981. At the "new" opera house, the radical policies of Michael Gielen won worldwide acclaim. The boom encouraged a free-spending mentality. At one point, there was even talk of dropping all charges for theatre tickets.

The recession brought Frankfurt down to earth – but the authorities have done little to cushion tha fall. Weakened by instability, the ruling coalition of Social Democrats and Greens has resorted to piecemeal cost-cutting, instead of formulating a coherent policy. Hoffmann's successor, Linda Reisch, has not provided the leadership necessary to fight the arts' corner. This has helped fuel a divisive debate about the city's responsibilities.

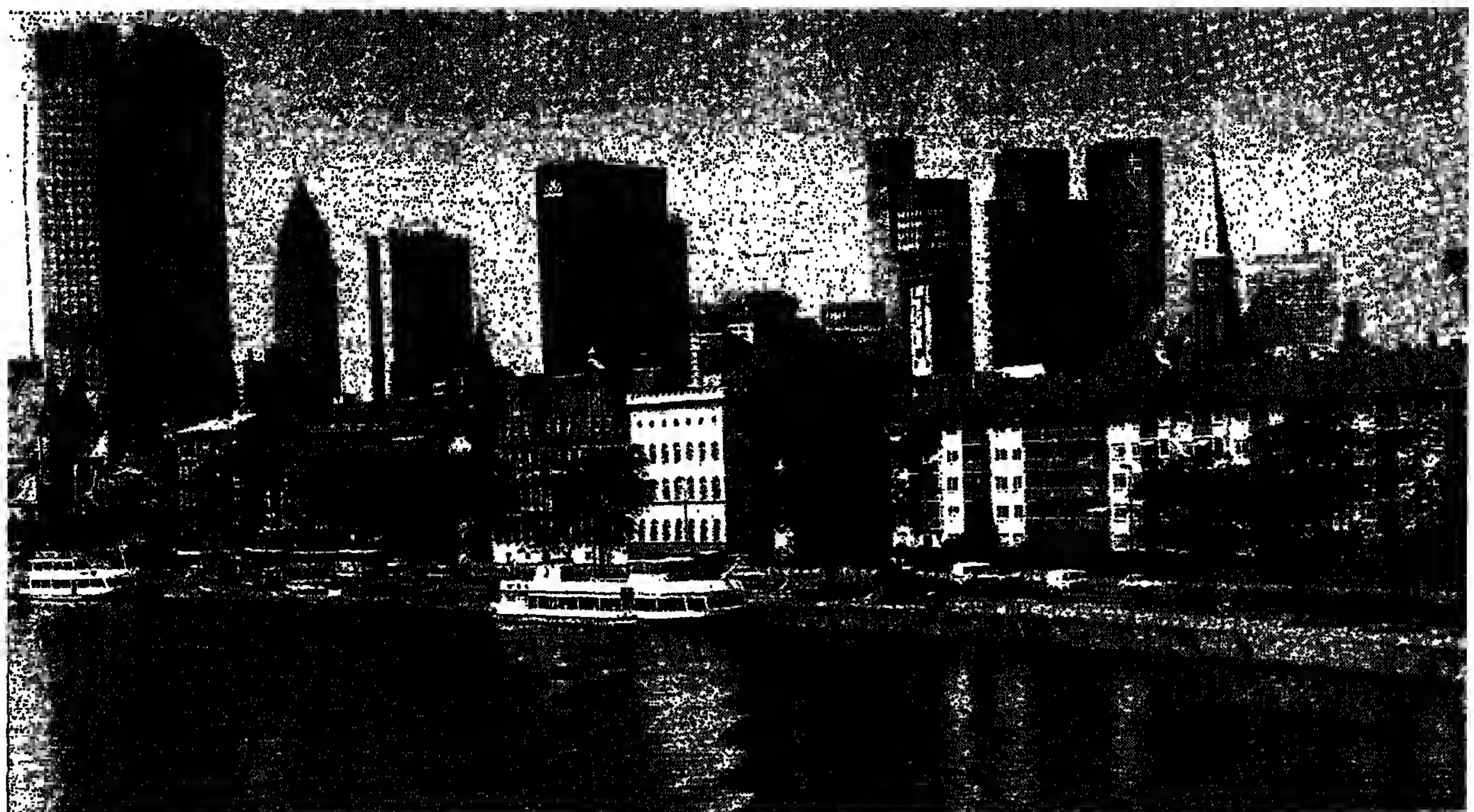
Those advocating self-support for the arts are currently in the ascendant. "When money is short, we need to be more husinesslike, to cover our costs," says Rudolf Sailer, manager of the Alte Oper. "We need artists who are well-known and have credit with the public. You can't always be crying 'more for culture'."

Such a view runs contrary to Frankfurt's traditions. "It also offers no hope for the future," says Dieter Rexroth, outgoing director of the Frankfurt Festival. "The purpose of subsidy is to support events which are not commercially viable, but have a special purpose and value to the community. If you subject the arts to the same cost-cutting measures as a factory, you stunt your creative roots – you'll end up with the same circus of touring orchestras as every other city. That's not culture."

The debate is especially relevant to the Frankfurt Opera, for which the financial squeeze is only one of several blows it has received since Glelen left in 1987. The company was devastated by the fire which destroyed the opera house shortly after Gielen's successor, Gary Bertini, took office. Bertini never won the company's confidence, and his early departure cost DM2m in unfulfilled contractual obligations, plus a lot of damaging publicity.

The company's image has been further weakened in recent months by a dispute between Cambreling (who arrived last year) and the administrative director, Martin Steinhoff, over how to combat a 30 per cent cut in subsidy. Cambreling, formerly Gérard Mortier's music director at the Monnaie in Brussels, had no warning of the cut when he agreed to come to Frankfurt. By general consent he has put together an interesting programme and raised standards. But he sees little point in staying if the company gives only 50 performances a year – as planned for 1995 – and reduces the size of chorus and orchestra.

Cambreling accuses Steinhoff of favouring the Frankfurt Ballet and acting as a message-boy for the city government. For his part, Steinhoff says Cambreling has failed to confront reality. At present, the company spends an average DM100,000 per performance on guest singers, on top of the fixed costs of a permanent company. According to Steinhoff, the choice lies between changing over to a "festival" system like the Châtelet in Paris – bringing in guests for limitad-series productions and doing away with permanent overheads; or building an ensemble of salaried singers on the old German Stadttheater principle – meaning fewer stars, lower artistic standarda, but regular performances. "At present we have a mixture which is not financially viable. We need to forge a pact, because it would be the final blow for Frankfurt if Cambreling resigned."



Frankfurt's financial district – the city may have won the race to house the European Central Bank, but it has lost its place in the vanguard of the arts

Take That

Pretty boys at Wembley

Howard is getting desperate. He's the tall one in Take That who looks as if he would be heppier as a buman being – and the fans know it. When the girls got the chance to scream for their hero at Wembley on Friday, Howard only rated a modest teeth-aching neuralgia on the bysteria scale, and while the Arena was awash with banners inscribed "Robbie, I want yonr body" and "Essex Girls Love U Mark", there were no "Show Me How, Howie" placards. Even growing a ridiculous goatee beard has not helped Howard much.

Still, not long to go now. Life as a member of a top pretty boy preteen band is brief, just the four years it takes for young girls to progress from Barbie to their first bra. Take That are nothing to do with music – they are the warm-up to the day when the pop posters disappear from bedroom walls and real life starts.

Yet there is a move afoot to treat Take That seriously. Lead singer and song writer Gary Barlow has won Novello Awards and the Manchester money men behind the hand-picked quintet are constantly tweaking new life into their creation. Certainly they give a good, wonderfully incoherent, show.

It starts with the lads rising up to the stage dressed as Gestapo despatch riders and ripping off the Stones' *Satisfaction* with the bold promise to 10,000 besotted girls *You'll get satisfied.*

It ends with Lulu, who has found a profitable second career as a child minder, leading them into the old disco hit *Relight my fire*, when they dress as young devils. Now Howard finally flips and bares his bottom in the hope, presumably, of attracting some of the underclothes the girls rain on little Markie.

In between there is at least one decent original song in *Babe*; some impressive aerobics – the Monkees never attempted somersaults, cartwheels, and hand stands; a Beatles' medley which displayed delusions of grandeur; and the inevitable jokey acoustic set just to fool the Musicians Union.

Unfortunately, Take That have to be so amped up to combat their non-stop screaming, whistle-hlowing fans that the sound system is magnified to e shrill and insubstantial blurr: but who's listening. Fortunately Take That also threw np one fascinating possihility. Near the end the lads emerge in peekaboo tops and hoxer shorts and camp around like crazy to *Give good feeling.* Could the management be preparing for the nltimate, mind-hlowing leap, transforming this year's pnbescent teases into next year's icons of the gay scene?

Antony Thorncroft

INTERNATIONAL

ARTS GUIDE

■ BERLIN

CONCERTS
Philharmonie Tonight: Maurizio Pollini plays Beethoven piano sonatas. Wed: Michael Gielen conducts Berlin Philharmonic Orchestra in Mahler's Seventh Symphony. Thurs: Emerson Quartet plays string quartets by Webern and Debussy. Fri: Gennady Rozhdestvensky conducts Chamber Orchestra of Europe in Britten, Shostakovich and Dvořák, with piano soloist Viktoria Postnikova. Next Tues: Pierre Boulez conducts Ensemble InterContemporain.
Schauspielhaus Tonight: Emmanuel Krivine conducts Berlin Symphony Orchestra in works by Brahms and Musorgsky/Ravel, with piano soloist Gerhard Oppitz. Fri: Serga Baudo conducts Berlin Radio Orchestra in Wagner, Liszt and Prokofiev. Sun: Jonathan Nott conducts Berlin Symphony Orchestra in Webern, Boulez, Mozart and Janacek (2090 2156)
OPERA/DANCE
Deutsche Oper Tomorrow: Madama Butterfly. Wed: Un ballo in maschera with Julia Varady. Thurs, Sun: Der fliegende Holländer with Simon Estes and Sabine Hass. Fri: Siegfried Jerusalem song recital. Sat: Hans van Manen choreographies. Sep 28: first night of new production of Andrea Chenier (341 0249)
Staatsoper unter den Linden Thurs, Fri: Nureyev production of Glazunov'e ballet Raymonda. Sat: Der Freischütz. Sun: first night of new production of Rossini'a 1813 Ferrara version of Tancredi, staged by Fred Berndt and conducted by Fabio Luisi, with cast headed by Jochen Kowalski and Lynne Dawson (200 4762/2035 4494)

■ NEW YORK

THEATRE
● Philadelphia, Here I Come!: this is the first Broadway revival of Brian Friel's Irish drama since 1966, and brings the total number of plays on Broadway to a staggering four. In Roundabout Theatre Company's production, directed by Joe Dowling, Milo O'Shea plays the father and two actors play the son – Robert Sean Leonard is Gareth in private and Jim True is Gareth in public. Till Oct 16 (Roundabout, 1530 Broadway at 45th St, 869 8400)
● Three Tall Women: a moving, poetic play by Edward Albee, dominated by tha huge, heroic performence of Myra Cartar. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 76th St, 239 6200)
● Angels in America: Tony Kushner's two-part epic conjures a vision of America at tha edga of disaster. Part one is Millennium Approaches, part two Perestroika, played on separate evenings. The cast includes F. Murray Abraham (Walter Kerr, 219 West 48th St, 239 6200)
● Carousel: Nicholas Hytner'e bold, beautiful National Theatre production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200)
● Guys and Dolls: a top-notch revival of the 1950s musical about tha gangsters, gamblers and good-tima girls around Times Square (Martin Beck, 302 West 45th St, 239 6200)
● Blood Brothers: Willy Russell's musical about twins who, separated at birth, eventually meet and fall in love with the same girl. Tha show has been running on Broadway for 18 months, but the recent addition of Carole King has added a little heat to the box office (Music Box, 239 West 45th St, 239 6200)
● Kiss of the Spider Woman: pop star and ex-Miss America Vanessa Williams has taken over the title role in the long-running Kander and Ebb musical directed by Harold Prince (Broadhurst, 235 West 44th St, 239 6200)
● Crazy for You: Gershwin's tunes and Susan Stroman's choreography are tha central pleasures of this light and frothy entertainment, now in its third year on Broadway (Shubert, 225 West 44th St, 239 6200)
OPERA/DANCE
Metropolitan Opera The opening night gala next Mon consists of Puccini's Il Tabarro with Placido Domingo and Leoncavallo's I Pagliacci with Luciano Pavarotti. Teresa Stratas and Juan Pons sing in both operas, and tha conductor ie James Levine. The opening week of performances also includes Idomeneo (with Domingo), La boheme and Rigoletto (362 6000)
State Theater New York City Opera's autumn season runa till Nov 20. This week's repertory, starting on Wed, consists of Lakmé, Tosca, Prince Igor, Carmen, Die Zauberflöte and Madama Butterfly. Prince Igor is a new production, with a Russian cast conducted by Guido Ajmone-Marsan and choreographed by Damian Woetzel of New York City Ballet (870 5570)
CONCERTS
Avery Fisher Hall The New York Philharmonic's 1994-5 season opens on Wed with a programme of Weber, Boccherini, Tchaikovsky and Bartók conducted by Kurt Masur, with cello soloist Yo Yo Ma. Masur conducts a modified programme, without soloist, on Thurs, Fri morning, Sat and next Tues (875 5030)
Carnegie Hall The new season begins on Sep 29 with a concert by tha Academy of St Martin in the Fields, with mezzo Cecilia Bartoli (247 7800)
JAZZ/CABARET
● Max Roach Double Quartet is in residence this week at the Blue Note, starting tomorrow (131 West 3rd St, near Sixth Ave, 475 8592)
● Indomitable soprano Barbara Cook takes command of the Carlyle Hotel dinner-and-music room for a month, starting tomorrow, backed up by her longtime pianist and arranger Wally Harper. Her voice remains almost defiantly that of the 1950s Broadway ingenue. Across the hall in Bemelmans Bar, dapper and easy-going cabaret singer Ronny Whyte begins an engagement tomorrow (Madison Ave at 76th St, 744 1600)
● Vocalist Bobby Gadwell begins a two-week engagement at Algonquin Hotel tomorrow (59 West 44th St, 840 6800)
● Cabaret deity Karen Akers begins a run at the Rainbow & Stars night club tomorrow (30 Rockefeller Plaza, 632 5000)

■ PARIS

OPERA
● The 1994-95 season at the Opéra Bastille opens tonight with a new production of Simon Boccanegra, conducted by Myung-Whun Chung and staged by Nicolas Brieger, with a cast headed by Vladimir Chernov, Kallen Esperian and Roberto Scandiuzzi (nina more performances till Oct 14). This is the last production Chung will conduct for the Opéra, under the terms of a settlement ending his contract as music director. Bob Wilson'e version of Madama Butterfly is revived on Sep 29. The season also includes Le nozze di Figaro, Lucia di Lammermoor, La Damnation de Faust, Un ballo in maschera, Iphigénie en Tauride, Dia Zauberflöte and I Capuleti a I Montecchi (4473 1300)
DANCE
● One of France's leading young choreographers, Philippe Decouflé, is in residence with his troupe at the Théâtre de la Ville till Sep 29 (4274 2277)
● The Paris Opéra Ballet's 1994-95 season takes place mainly at the Bastille. It opens on Oct 25 with the traditional Grand Défilé, followed by Balanchine's Le Palais de cristal (Symphony in C) to Bizet, Tha Four Temperaments to Hindemith, and Jerome Robbins' Glass Pieces to Philip Glass (12 performances till Nov 17). The season also includes a young dancers programme, Nureyev's production of Swan Lake, a mixed bill including works by Balanchine and Martha Graham, John Neumeier's Magnificat and a Nijinska-Nijinsky programme (4742 5371)
CONCERTS
Mstislav Rostropovich is cello soloist with the Orchestre Philharmonique de Radio France tomorrow at Salle Pleyel. The programme includes Boccherini'e Second Cello Concerto and tha world premiere of a work for cello and orchestra by Daniel-Lesur (4561 0630)
FESTIVAL D'AUTOMNE
This year's programme includes Peter Stain's Moscow staging of the Oresteia (Oct 9-15), a Bob Wilson adaptation of Dostoyevsky (Oct 11-23), Robert Lepage's Seven Streams of the River Ota (Nov 18-26), and The Merchant of Venice directed by Peter Sellars (Dec 6-17). The dance programme ie headed by Trisha Brown Dance Company (Nov 3-12), and there is a special focus on the music of György Kurtag (Festival d'Automne à Paris, 156 rue de Rivoli, 75001 Paris. Tel 4296 1227 Fax 4015 9288)
JAZZ/CABARET
The new season at the Lionel Hampton Jazz Club opens tonight with a two-week engagement by American vocalist Artie "Blues Boy" White and his band. Music from 10.30pm to 2.00am (Hotel Meridien Etoile, 81 Boulevard Gouvion St Cyr, 75017 Paris. Tel 4068 3042)

ARTS GUIDE
Monday: Berlin, New York and Paris.
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Friday: Exhibitions Guide.

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The oil has not run out

Robert Corzine and Gillian Tett on the sector's comeback

Out of sight and out of mind could be the motto of the UK offshore oil and gas industry as it prepares this week to observe the 30th anniversary of the first North Sea exploration licences.

With most production platforms standing far offshore and support facilities concentrated in remote coastal towns, the industry's public profile has slipped below the horizon in recent years. Not so North Sea oil and gas production. In spite of a widespread perception that the UK oil industry is long past its heyday, the sector has this year staged e dramatic comeback with e surge in production that has boosted the trade figures and flattered overall UK economic data.

Average oil output for the year so far is up by 29 per cent against 1993, according to figures from the Royal Bank of Scotland, with output recently running at about 2.4m barrels e day. The high rate of growth, which follows years of decline, has taken many City economists by surprise. "Most people had been aware that oil and gas would expand over the next couple of years," says Mr Leo Doyle, UK economist at London brokers Kleinwort Benson. "But they had not expected it this quickly."

The main reason is that a sizeable number of new fields have been brought onstream over the past year and are building up to peak production. Among the larger ones are Scott, operated by Amerada Hess of the US, Enterprise Oil's Nelson field and Alba, operated by Chevron. Most were approved three or four years ago, when oil prices were considerably higher than the present level of about $16 a barrel for the benchmark Brent Blend. But the new fields have also benefitted from the extensive cost-cutting undertaken by the industry in recent years, as well as from efficiency gains brought about by new technology.

Technology is also helping companies to extend the life of older fields and to exploit small accumulations which in the past were seen as uneconomic, another factor behind this year's surge in output.

A case in point is the Gryphon field, 200 miles northeast of Aberdeen and is operated by Kerr-McGee, the US oil company. The 100m barrel field is considered small by earlier North Sea standards, but is typical of the type of fields that will need to be developed if UK production is to stabilise at its new, higher levels.

To save money, the company forsook the conventional fixed oil platform, which would have cost £400m, and bought instead a tanker-like "floating production and storage unit" for £260m, according to Mr Roy Phillips, Kerr-McGee's general manager in the UK.

The cost advantages of ship-shaped production vessels are such that they are being considered for a number of new projects, including the first phase of development at British Petroleum's Foinaven field west of Shetlands, the most exciting new exploration area in UK waters. The industry's new ability to drill horizontal wells within the seabed has also "transformed the economics of the field," says Mr Phillips.

Most experts think output will peak next year, before settling at a lower "plateau" level

Development costs vary according to the field, but many companies have been able to cut them by half with the help of the new seismic techniques and drilling methods. BP for example, with one of the most extensive North Sea operations, has seen its worldwide development costs fall from around $10 a barrel five years ago to between $4 and $5 a barrel.

There have been similar reductions in operating costs, with some new North Sea fields reporting costs as low as £1 a barrel, although about $5 a barrel would be the average for the central and northern North Sea. That is higher than in onshore fields in many parts of the world, but low enough to ensure that the UK continues to attract the interest of international oil companies. Political stability, proximity to markets and the UK's extensive oil infrastructure are additional attractions.

So too is the government's attitude toward the industry, although oil companies were divided last year in their response to a sudden change in the government's taxation regime. It had the effect of removing relief on exploration, but lowering the tax rate on existing fields.

That pleased companies such as BP and Shell, two of the biggest offshore operators with extensive but relatively high cost mature assets in need of refurbishment, but was less well received by aggressive explorers such as Amerada Hess, which has just joined the top five North Sea companies according to value of assets.

There were suggestions last year that the tax changes were likely to cause some international companies to pull out of the North Sea. But there has been little evidence of that so far. Instead, many US companies, including Amerada Hess, say they want to expand their operations. Conoco of the US this month announced it intends to spend £400m a year in the UK offshore industry to the end of the decade.

Such plans will please a government clearly enjoying the benefits of the present oil boom. Second-quarter oil trade, for example, was £1.31bn in surplus, its highest level in eight years and nearly three times higher than in the same period last year. This has helped to allay fears that Britain faces a worsening balance of payments as higher economic growth leads to increased imports.

For how much longer can the sector maintain this performance? Most experts think output will peak sometime next year, before settling at a somewhat lower "plateau" level. But that will still leave output above 2m barrels a day until the end of the decade, even if world prices remain depressed.

A study this year by Wood Mackenzie, the Edinburgh-based consultants, suggested that 59 fields likely to be considered for development over the next few years would be economic at the current price of $16 a barrel. In addition the government's latest licensing round showed strong interest in deep water areas west of the Shetland Islands and off the west coast of Scotland. That should ensure the North Sea continues to produce substantial amounts of oil and gas well into the next century.

Plugged into the world's knowledge

US Vice-president Al Gore explains how a global information system will aid development

PERSONAL VIEW

The linking of the world's people to a vast exchange of information and ideas is a dream that technology is set to deliver.

President Bill Clinton and I believe that the creation of a network of networks, transmitting messages and images at the speed of light across every continent, is essential to sustainable development for all the human family.

It will bring economic progress, strong democracies, better environmental management, improved healthcare and a greater sense of shared stewardship of our small planet.

To this end, legislators, regulators and business people must now build and run a Global Information Infrastructure (GII).

We call upon all governments, in their own sovereign nations and in international co-operation, to build this infrastructure.

The US will do its part. But the development of the GII must be a co-operative effort. It cannot be dictated or built by a single country, and it must be democratic.

The GII will promote democracy by enhancing the participation of citizens in decision-making. And it will promote the ability of nations to co-operate with each other.

It will also be the key to economic growth. The information infrastructure is to the US economy of the 1990s what transport infrastructure was to the economy of the mid-20th century. Approximately 60 per cent of all US workers are "knowledge workers". Computing and information networks have made US companies more productive, more competitive and better able to adapt to changing conditions. They will do the same for other nations.

Digital telecommunications technology, fibre optics and new high-capacity satellite systems are transforming telecommunications. A fibre optic cable can carry thousands of telephone calls per second over a single strand of glass.

In the past, it could take years to build a network. Today, a single satellite and a few dozen ground stations can be installed in a few months – at much lower cost.

The economics of networks have changed so radically that a competitive, private market can build much of the GII. This is dependent, however, upon sensible regulation.

In the US, we aim to build and maintain through the private sector a National Information Infrastructure of information highways.

Our plan is based on the principles of:

- encouraging private investment;
- promoting competition;
- creating a flexible regulatory framework that can keep pace with rapid technological and market changes;
- providing open access to the network for all information providers; and
- ensuring universal service.

Many of these are accepted international principles, which I believe can inform and aid the development of the GII.

Today, many more technological options make it not only possible, but desirable, to have different companies running competing – but interconnected – networks, to make the telecommunications sector more efficient, more innovative and more profitable.

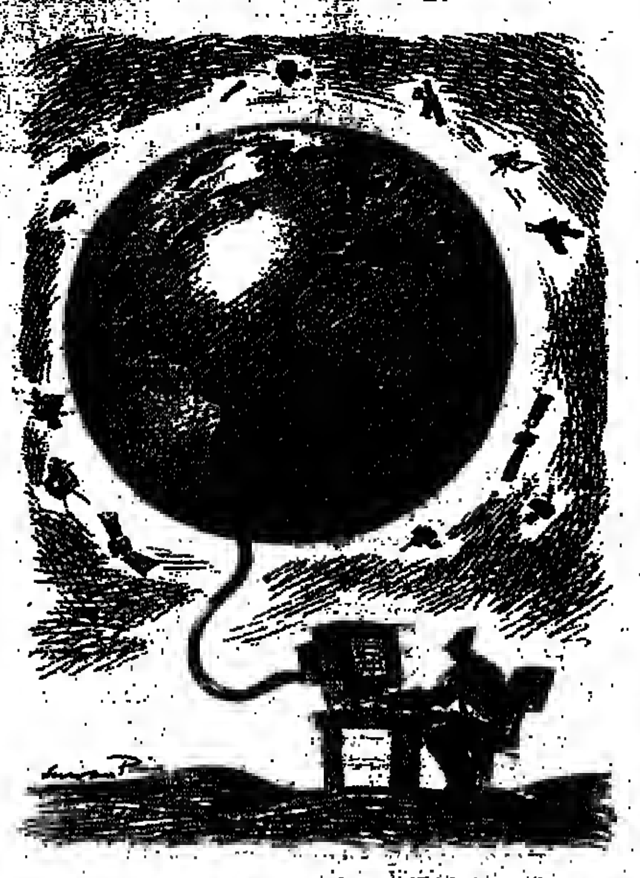
To promote competition and investment in global telecommunications, we need to adopt cost-based collection and accounting rates.

International standards are also needed to ensure interconnection and interoperability throughout the world. National networks must connect effectively with each other to make real the simple vision of linking schools, hospitals, businesses and homes.

In order for the private sector to invest and for competition to be successful, it is necessary to create a regulatory environment that fosters and protects competition and private-sector investments, while at the same time protecting consumers' interests.

In the US, we have delegated significant regulatory powers to an independent agency, the Federal Communications Commission. This is an expert body, well-equipped to make difficult technical decisions and monitor changing market conditions.

We also need a flexible, effective system for resolution of international issues.



Open access is another important principle. Telephone and video network owners should charge non-discriminatory prices for access to their networks.

Countries and companies will not be able to compete in the global economy if they cannot get access to up-to-date information or communicate instantly with customers around the globe. Ready access to information is essential for training the workforce needed for high-tech industries.

Countries that flourish in the 21st century will be those that have telecommunications policies and copyright laws that give their citizens access to a wide choice of information services. Protecting intellectual property is absolutely essential.

The final and most important principle is to ensure universal service so that the GII is available to all.

Hundreds of satellites in low earth orbit may soon provide telephone or data services to any point on the globe. Such systems could make universal service practical and affordable.

Another dimension of universal service is the recognition that marketplace economics should not be the sole determinant of the reach of the information infrastructure.

President Clinton and I have called for positive government action in the US to extend the GII to every classroom, library, hospital and clinic in the US by the end of the century.

Schools and libraries in every country could be connected to the Internet, the world's largest computer network, in order to create a Global Digital Library. This would allow millions of students, scholars and business people to find the information they need, whether it be in Albania or Ecuador.

The power of the GII will be diminished if it cannot reach large segments of the world population.

There are those who say the lack of economic development causes poor telecommunications. I believe they have it backwards. A primitive telecommunications systems causes poor economic development.

So we cannot be complacent about the disparity between the high and low income nations in how many phones are available or in access to new technologies, such as high-speed computer networks or video conferencing. The US is committed to working with other countries on this matter.

To overcome the barriers to GII development, industrialised countries can:

- use the GII for technical collaboration between industrialised nations and developing countries, and to help development agencies link experts from every nation to solve common problems;
- help nations finance the building of telecommunications infrastructure, through multilateral institutions, such as the World Bank;
- create programmes to train telecommunications professionals. USAID (the US Agency for International Development) and US businesses have helped the US Telecommunications Training Institute train more than 3,500 telecommunications professionals from the developing world.

The GII could also be used to create a global network of environmental information, to help protect the environment.

It can provide us with the information needed to improve dramatically the quality of life around the globe. By linking clinics and hospitals together, it will ensure that doctors have access to the best possible information on treatments.

By providing early warning on natural disasters such as volcanic eruptions, it can save thousands of lives. And by linking villages and towns, it can help people work together to solve local and regional problems, ranging from improving water supplies to preventing deforestation.

To promote, to protect and to preserve freedom and democracy, we must make telecommunications development an integral part of every nation's development.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Raise the strategic game

From Mr Kerry Napuk.

Sir, Andrew Campbell's spirited defence of strategic planning was well founded (Management Page: "The point is to raise the game", September 14). However, along with the detractors of planning, Campbell misses the enormous positive impact strategic planning can have on medium-sized companies. For them, the planning process often is the first time the management team deals with fundamental questions facing their company; Where do we want to go? How can we get there? How do we make it work in our company?

When the senior team shares a future direction – the vision – it creates a framework in which strategies can be crafted as means towards realising this greater end. Strategies are useless when unconnected to a desired future state on one hand and to specific action plans involving teams on the other. Moreover, strategic planning adds value in bonding the team together, managing change and creating the appropriate structure to make the plan work.

Perhaps we need to "raise the game" by extending the debate over strategic planning to the much larger pool of medium-sized companies?

Kerry Napuk,
managing director,
NAP Associates,
10 West Sackville Road,
Edinburgh EH 16 5NG

Yields tell a different story

From Sir Alan Walters.

Sir, In "Interest cost of UK opt out" (September 15), Samuel Brittan says: "The important point is that opting out of EMU does have an economic price which the UK may already be paying in long-term interest rates higher than those of her partner countries, and in the need to reinforce confidence by base rate increases..."

It is difficult to square this with the changes in the gilt-bund spread. In April 1992 when we were solidly in the ERM and on the way to some sort of currency union, gilt yields reached a peak of 230 basis points above bund yields. From January to September 1992 the average spread was around 110 basis points. After we dropped out of the ERM and prospects of EMU receded, the spread decreased to a low of a little above 40 basis points at the end of January 1994. The average for the year was around 90 basis points. Today, after the shake out in world bond markets, the spread is about 130 basis points – still well below that which ruled when firmly in the ERM.

It is worth noting that, contrary to the predictions of the government and most of the market commentators, as the ERM fell and prospects of British membership of any foreseeable EMU virtually disappeared, the spread did not increase; instead it sharply contracted. With the break up of the ERM *all* interest rates, short and long, nominal and real went down – instead of up as ERM enthusiasts predicted.

If there is a *de facto* currency union and everyone believes that it will be sustained, then of course interest will be the same and there would be no spread at all. But the road to such a union is not smoothly paved with declining spreads, as the experience with the ERM has so convincingly demonstrated.

Alan Walters,
vice-chairman & director,
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Handicap of mutuality

From Mr Ralph Instone.

Sir, The managing director of the National Mutual Life Assurance Society advances (Letters, September 9) "a very strong argument" for mutuality, viz. that mutual offices do not have to pay dividends to shareholders. If the argument had validity one would expect to find (which one does not) that mutual offices can offer better terms, or show more favourable maturities for with-profit policyholders than proprietary companies.

Can it be that the managements of mutuals are less effective precisely because they lack the stimulus of being directly answerable to shareholders? There has been more than one case in recent years of a rescue operation mounted to protect a mutual office's policyholders from jeopardy.

It is virtually impossible to devise a voting structure for mutual offices which fairly reflects the diverse interests of policyholders. Moreover such offices are unable to finance expansion by the issue of equity capital, which is a serious disadvantage for all but the largest mutual offices.

Mutuality is a mixed blessing for building societies and is a positive handicap for life offices and their policyholders.

Ralph Instone,
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London SW15 5LX

Belief in the wrong factor

From Mr M C Frampton.

Sir, The Conservatives' belief that tax cuts will restore their party's standing is wrong.

Job security is far more important. The feel good factor will not return until the country stops reorganising and downsizing. Who these days feels that their job is secure? Who does not know someone who has been made redundant? Not until companies start growing again and the public sector stops reorganising will the country *feel good*.

M C Frampton,
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West Sussex RH13 6EB

Russian university already benefiting from training programmes

From Mr Amnon Golan.

Sir, It was heartening to read John Lloyd's article on Russian plans for reforming economics teaching ("Russia boosts economics teaching", September 6). Certainly, there remains much to be done to improve academic standards and curricula in Russian universities and teaching institutions. The Economic Development Institute of the World Bank recognised this early on and in 1992 established, with the full support of the Russian government, a training centre at the premier Russian university, Moscow State University.

The Joint EDI/MSU Training Centre has now been responsible for retraining large numbers of academics and researchers and, perhaps most importantly, for using the skills of those who have been retrained to assume primary responsibility for teaching market economics to a large number of government officials. With the active collaboration of the core economics ministries our centre has developed a large and innovative set of training programmes aimed at improving analytical and policy-making skills, the value of which is quite obvious.

The philosophy behind this has been to bring on young Russian academics and teachers to harness their considerable skills in providing up-to-date and technically competent training to officials, journalists and other key audiences in Russia. I should add that this approach and the EDI/MSU Centre has now been cloned, using local institutions, in Kazakhstan, Ukraine and Uzbekhistan. And a similar strategy was used to develop innovative training programmes (and to establish a number of training centres) in banking, project management, investment analysis, enterprise and transport management, as well as privatisation.

Mr Lloyd indicates that textbooks are a significant constraint in improving the quality of instruction in Russia. Our centres have now translated a large number of modern texts and articles into Russian, including Gregory Mankiw's excellent recent textbook on "Macroeconomics". They have also produced/translated into Russian training videos for bankers and case studies, text books and glossaries for each of the above mentioned programmes.

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FINANCIAL TIMES
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Monday September 19 1994

No quick fix in Haiti

Whether or not Mr Jimmy Carter succeeds in persuading Haiti's military junta to step down, it seems US troops will soon be on the ground there. But if the Clinton administration is *hoping* for a brief engagement with this troublesome and unhappy nation, it is making a mistake.

US troops may leave within months as planned, but US finance and support for the country – as part of a broad international effort – will be needed over the long term if Haiti is not to slide back to dictatorship or anarchy. The US decision to intervene makes a long-term commitment to Haiti its moral responsibility; without such a commitment, Haiti will all too soon re-emerge as a thorn in Washington's side.

Some will argue that US intervention in Haiti is in itself a mistake, and Mr Clinton can certainly be criticised for the confused and contradictory way he has handled the issue in the past two years. Now he has boxed himself into a corner from which the unpopular option of invasion seems the only exit.

Yet that does not mean that invading is wrong in principle. Restoring democracy and human rights within Haiti are laudable objectives. The fact that tha US cannot act everywhere should not prevent it from acting to restore democracy when that is within its power.

The more appropriate question is whether US action is likely to achieve its objectives in a nation that, in 190 years of independence, has known only a few months of rule by freely-elected government. Clearly, ousting Haiti's current crop of military leaders will, of itself, not resolve the problem. If the armed forces and the police are not purged and professionalised, it will be only a matter of time before the next military coup. This is a proper subject for international advice and support.

However, Haiti'a needs will not end thers. The entire state – a bloated and inefficient civil service, a corrupt judiciary, barely functioning public enterprises – needs an overhaul. The country's dilapidated infrastructure needs renewing and enlarging. Most urgently, the poorest country in the western hemisphere needs humanitarian aid.

In this task, the international financial institutions have a critical role to play: donor countries should move quickly to provide support so that Haiti's arrears to these institutions do not prevent them from providing finance.

It is, of course, on the Haitian people that the establishment of democracy will ultimately depend – and on President Jean-Bertrand Aristide, the priest deposed by the military in 1991 after aeven monthe in office. While unquestionably the rightful head of state, he has not convinced everybody of his democratic credentials.

He has been criticised for not eradicating human rights abuses while president, and for statements in which he apparently incited supporters to violence – though it is true that during his brief tenure in office, he was under pressure from enemies for whom democracy and the rule of law had no meaning. Having invoked democracy to return to Port-au-Prince, Mr Aristide must live by its rules when he arrives there. His statement that he will stand down when his five-year term ends next year, as the constitution demands, is thus welcome.

Yet fulfilling the high expectations of his supporters will not be easy. If democracy in Haiti is to have a chance, a long-term international commitment to the country is essential. Leaving it to the marines will not be enough.

Jaw-jaw in Ulster

The prime ministers of Britain and Ireland are displaying remarkable political skill in their efforts to bring peace to Northern Ireland. On Friday Mr John Major undertook that any new arrangement for tha governance of Ulster will be put before a referendum. Yesterday Mr Albert Reynolds said that there would be no united Ireland for at least 20 years, and that even then the matter would be determined by popular vote.

Both statements are implicit in the joint declaration issued by the two heads of government last December. The essence of that statement was that future constitutional changes on the island of Ireland were to be based on the principle of self-determination, exercised north and south. Mr Reynolds has since re-iterated this several times, in a number of different ways. So has Mr Major. Yet such is the depth of suspicion in Irish affairs that it may have to be repeatedly repackaged and reiterated over the coming months.

The theory is that, in time, the constant deployment of this basic democratic principle will persuade unionists that while they command majority support they can safeguard their province, and nationalists that if they can persuade enough Ulster voters to trust them they can realise their own dream. If this is an Anglo-Irish conspiracy, its purpose is to convert 25 years of debate by terrorism into peaceful politicking.

Yet it would be a mistake to confuse the wish with its fulfilment. The IRA has announced a ceasefire, but it resists blandishments to declare it permanent. Mr Major has rightly lifted the ban on the broadcast of terrorists' voices, but has not been repaid with a pledge that Armalites will never again be used. The "loyalist" murder gangs have not yet accepted the armistice. Both sides retain their arms. The IRA continues to demand the release of convicted killers it terms political prisoners.

In these circumstances it is a pity that President Bill Clinton is fighting difficult mid-term Congressional elections. Looking to the Irish-American electorate, he is expected to grant a second visa to the president of Sinn Féin, Gerry Adams. It will come as no surprise if – when – Mr Clinton or another senior US figure greets the leader of the political wing of the IRA. The excuse offered in Dublin and Washington will be that this will bind the IRA/Sinn Féin into the peace process. Mr Major, and the rest of us, can only hope that that judgment is right.

Kuchma's task

As the west dispatches firemen to small embattled nations throughout the globe, Ukraine is quietly emerging as one of the next major tests of the new world ordar. Ukraine must implement radical economic reforms and the west must help to pay for them.

Kiev's capacity for producing disaster is enormous. The current, farcical powar struggle in the break-away Crimean peninsula is one symptom of festering regional tensions in Ukraine, but if the economy deteriorates further Ukraine's separatist comedies could turn into the tragedy of civil war.

Given Ukraine's location on the edge of a more economically robust, but politically still fragile, eastern Europe, civil strife would be bad enough. Yet Ukraine's proximity to Russia makes it even more dangerous. Given most Russians' view that Ukraine is a natural part of their country, the temptation for Moscow to meddle in a war-torn or destitute Ukraine would be as attractive as it could prove fatal. Russian involvement in a Ukrainian civil war would make it the most threatening conflict in Eurasia. Moreover, a Russian effort to reabsorb Ukraine would break Russia'a tentative hold on democracy beceuse it would require authoritarian measures in Russia itself.

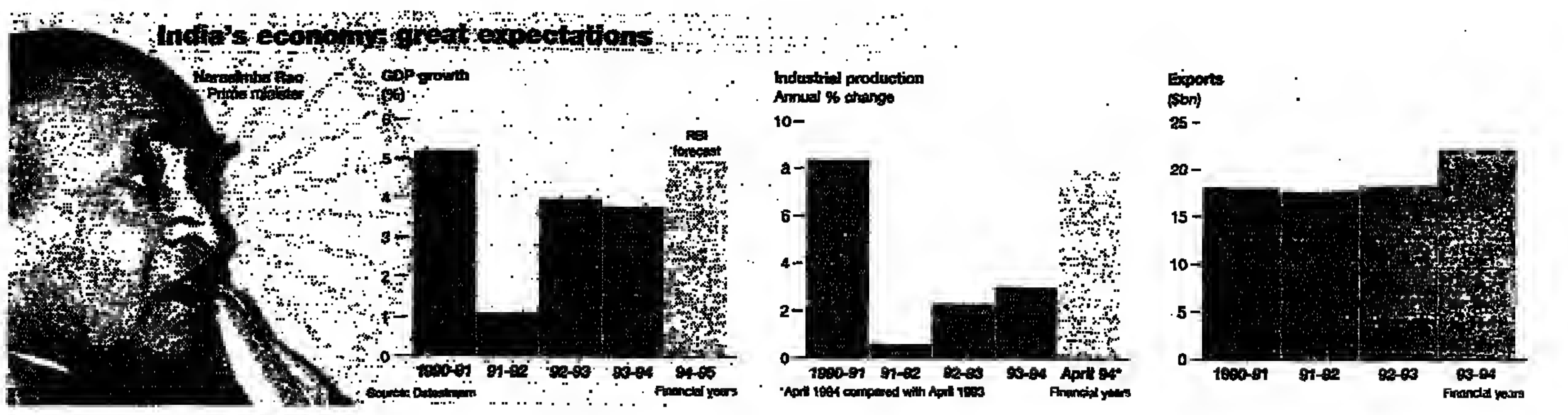
With the election of President Leonid Kuchma in July, a chance to avert these nightmare scenarios has emerged. Mr Kuchma appears to have understood that Ukraine cannot survive intact without the economic prosperity which only radical market reforms can bring.

His task, paradoxically, may be easier than it seems because the previous, inept government inadvertently inflicted much of the shock of transition on the country's economy: energy prices are nearly at world levels and the deep industrial decline which all of eastern Europe experienced has already happened in Ukraine.

If Mr Kuchma were to add therapy to the shock, he could emerge as a political hero and his country could prosper. But to do that, he needs western assistance.

Ukraine is too important, and too potentially disastrous, for half measures. If Kiev begins reforms, Ukraine must rapidly receive significant western financing along the lines of the $4bn promised at this summer's G-7 summit. That money would help support the painful measures Mr Kuchma must implement: price liberalisation, budgetary discipline, currency stabilisation, liberalisation of transactions on the current account and rapid small-scale privatisation. By helping Kiev to pay for the energy Russia now sells at close to world prices and covering part of the large budget deficit that even a reformist Ukrainian government could not initially avoid, the west could give Ukraine a fighting chance.

Ukraine will not survive as a country without radical economic reforms. Paying for them now would be far cheaper for the west than coping with a collapsed Ukraine in 12 months time.



Not nearly radical enough

Despite free-market reforms, India's economic upturn is modest rather than spectacular, says **Stefan Wagstyl**

After three years of market reforms, the Indian economy is showing clear signs of revival. But the rebound could prove short-lived unless the government presses ahead with further restructuring.

Industrialists in India are now more optimistic than at any time since Mr P V Narasimha Rao, the prime minister, embarked on liberalisation in mid-1991. The monsoon was good. Industrial output is forging ahead and the Bombay Stock Exchange's index of leading stocks last week reached an all-time peak.

Mr Anil Ambani, joint managing director of Reliance Industries, India's largest company, says: "Wa are going to see massive investment growth this year."

But the upturn that is causing such excitement is as yet a modest recovery rather than an industrial take-off. The Reserve Bank of India, the central bank, last week forecast the economy would grow by 5 per cent in the current financial year, ending in March 1995, up from 3.8 per cent. This is still short of the average 5.5 per cent achieved in the pre-reform 1980s and far below the growth rates of India'a economic rivals in the developing world, notably China.

"We are so slow off the mark," says Mr Hrishikesh Mafatlal, vice-chairman of Mafatlal Industries, a textiles-based conglomerate. "I don't expect economic take-off ... of between 7-9 per cent growth ... in the next three or four years. It may come only 5-10 years out."

The immediate risk in such delay lies in the enormous expectations that Mr Rao's reforms have created among some financial investors. Stock prices have risen 80 per cent in a year, making Indian equities among the world's most expensive with an average multiple of price to 1993-94 earnings of 53. Bombay land prices have doubled in two years. Unless these investments produce real returns, prices could plunge.

Certainly, India deserves credit for the progress it has made. After 40 years of economic self-reliance, the country is opening up to the outside world by cutting import duties, reforming the exchange rate and promoting exports and foreign investment. The "licence raj", a panoply of industrial controls, has mostly been dismantled. In spite of a Rs40bn (£828m) securities scandal in 1992, when money was illegally siphoned ont of banks into the stock market, financial deregulation has gone ahead.

But Mr Rao has decided against further radical reforms, such as trimming bloated public-sector enterprises or amending labour laws which ensure joba for lifa. With elections due in the next few mouths in 10 of India's 25 constituent states and a general election to be held by mid-1996, the prime minister wants to avoid electorally-unpopular decisions.

Mr Rao believes that, unlike China or other authoritarian states, India cannot rush politically difficult reforms because it is a vibrant democracy. But the truth is that India's democracy may not be vibrant enough.

Less than 30m people enjoy the jobs, pensions and other advantages of legally-protected employment in large-scale organisations. They and their families – about 150m people – are the main beneficiaries of the economic status quo. And politicians and bureaucrats are the ones who profit from the patronage that this allows.

The rest of India'a 890m people are largely excluded from the whole process. If their interests were better represented, the pace of reform might be quite different. Employers have said that if labour lawa were more flexible, they would shed staff, but would also create new jobs.

Even without restructuring of the organised sector, especially of public enterprises, the reforms are bearing fruit. Exports after two years of stagnation leapt 20 per cent in 1993-94. By Juna 1994, the government had approved foreign direct investments totalling $5bn. Foreign fund managers have invested about $5bn in the Indian stock market and in overseas issues made by Indian companies. Foreign exchange reserves heve leapt from $1bn in mid-1991 to more than $17bn.

Domestic companies are beginning to invest. Output of consumer goods started rising last year. Now capital goods production is rising. Industrial production in April jumped 8 per cent year-on-year.

The central bank estimates that after three years of stagnation, private investment will rise 10 per cent in 1994-95. As Mr Amit Mitra, secretary general of the Federation of Indian Chambers of Commerce and Industry, says: "There's an unbelievable amount of energy in Indian industry now." Moreover, partnerships between Indian and foreign companies are sprouting as never before, including, most recently, the announcement of a joint venture by Volkswagen, the German auto group, and Eicher, an Indian engineering conglomerate, to study building a $190m car factory.

Yet, although India is playing host to more foreign businessmen than ever, there are worrying signs that the first rush of international enthusiasm may be waning. Export growth has slowed sharply since the end of March to an annual rate of 8.3 per cent for the four months to the end of July. Foreign investment approvals fell in the first six months of 1994 by 38 per cent to abont $800m, compared witb the same period last year. Foreign portfolio investment has also slowed in recent months.

All these may be temporary blips, but they could also indicate some foreign companies are having second thoughts about the speed with which they wish to commit themselves to India.

Their doubts reflect a concern that while India'a reforms may be substantial and irreversible they may not have gone far enough. As Mr Jeffrey Sachs, the Harvard University economist, said during a recent visit to New Delhi: "India has made remarkable progress but it is only partial progress."

To convince the sceptics, India needs to ensure the bureaucrats' fingers are really being lifted from the levers of economic power. While many controls have been scrapped, the officials' desire to retain influence has not. In the power sector, for example, an outline policy for private investment in power stations was published two years ago, but the details are still being discussed in negotiations with would-be investors. Apart from the delays, this case-by-case approacb creates scope for corruption.

Similarly in telecommunications, a new policy ending the state's monopoly of basic services was announced four months ago, but crucial issues, such as tariffs, still remain to be settled.

India's state-controlled industries and services account for about half the nation's capital, but produce only a quarter of its output. The government bas sold minority stakes in public enterprises but refuses to embrace full-scale privatisation. As Mr Sachs points out, the experience of other countries shows that witbout privatisation other measures to make public enterprises efficient are usually futile.

Ministers have made progress in liberalising tbe capital markets, including Indian companies' access to the euromarkets. However, they are reluctant to relax control of the banking industry. The state-owned banks, which dominate tbe market, are being allowed to raise private equity, but the government will retain a majority stake and stifle genuine competition.

Finally, the government has not put its own financial house in order. After cuts in the first years of reform, public borrowing soared last year to cover a fiscal deficit equivalent to 7.3 per cent of gross domestic product. It is falling in 1994-95, but only slowly. Moreover, the burden of interest payments is rising – from 39 per cent of revenues in 1990-91 to 53 per cent in 1993-94, according to the RBI.

Mr Rao has called his economic policy a middle way, but in some government circles it has become known as the muddle way. In an effort to steer a course between a free-market economy and maintaining a large public sector, he seems to have lost his sense of urgency.

Europe in the Pacific century

The west must show greater sensitivity in its dealings with east Asia argues **Bruce Clark**

Vancouver seems an ideal place to await the Pacific era in a spirit of optimism: a city of breathtaking ocean views and burgeoning Asian communities, where Chinese calligraphers play hockey and speak with purring Canadian accents.

While the city may be forging an Asian-North American future with Confucian serenity, the scholars and policymakers who gathered there a week ago for a conference of the International Institute of Strategic Studies were not.

Amid well-rehearsed observations on tha rising economic importance of trans-Pacific links, the conference heard some rather more disturbing ideas.

In their most extreme form, they spelt out a 21st century vision of Europe relegated to an exhausted backwater and America forced to seek partners on Asian terms.

The economic case for the Pacific century is impressive. Last year, trans-Pacific trade amounted to $330bn, exceeding trade across the Atlantic by 50 per cent; in five years, the ratio could be 2 to 1 in the larger ocean's favour.

The number of hours devoted by the American administration to political and, above all, commercial ties with Asian partners is correspondingly on the rise.

But, as North Americans at the IISS either acknowledged themselves – or were told bluntly by their Asian counterparts – it looks increasingly likely that the Asians will be setting the pace for the new intercontinental love affair.

Washington's recent decision to decouple trade with China from human rights was hailed as an overdue conversion to the Asian principle of non-interference.

Similarly, America's swing from lofty interventionism to pure mercantilism in ties with east Asia was seen as a sign of "open-mindedness" and "flexibility" – a welcome reminder of America's freedom from the arrogance of Europe's former colonial powers, said one senior south-east Asian official.

Europe, by contrast, was in bad odour all round. Chided as usual for its colonial past, protectionism and old-world snobbishness, the old continent faced a newer charge: it was hostile to Moslems.

As the conference was reminded, the mainly Moslem nations of Malaysia and Indonesia are highly sensitive to Europe's attitudes to Islam. "There is a perception in south-east Asia that Europe is hostile towards Islam," said a Singapore-based analyst of the region. "There has been little effort to put to rest Moslems' concerns that they are viewed as a threat to Christian civilisation."

Western Europe was attacked for its faint-beartednass over Bosnia, its reluctance to admit Turkey to the European Union, and connivance in the suppression of Islamic forces in Algeria.

How can Europeans respond to this bewildering array of charges? They are not merely economic losers, swaggering imperialists with outsize egos and shrinking wallets, they are anti-Moslem to boot.

Wherever the answer lies, it does not lie in trying to please everyone.

Europe will not convert the fundamentalists of Algeria into partners and soul-mates by embracing them unconditionally; nor can it be sure of gaining merit in the eyes of south-east Asian, or other Moslems, by greater involvement in Bosnia.

It is easy to imagine a scenario in which scores of British or French troops die in an unequal struggle to defend Bosnia's Moslem enclaves – and western embassies, from Ankara to Jakarta, are still surrounded by demonstrators denouncing the treachery of Christendom.

But there are surely some lessons for Europeans to draw from the brick-bats flying in Vancouver's bracing sea breeze.

Europeans must be more sensitive, in dealings with east Asia, to anti-colonial sentiment that is nearer the surface than most Britons, French or Dutchmen guess. Forgetting is easier for the coloniser than the colonised.

Europeans also need to be absolutely clear, with themselves and others, about the limits of tbeir influence: their ability to right wrongs and tilt regional balances.

One of the most palpable legacies of colonialism in Europe is the instinctive tendency of many people to regard all the problems of the world, from Santiago to Cape Town to Sarajevo, as well within their own capacity to solve. Ironically, this imperialist mentality has a strong grip on the political left – both in Europe and the US.

Whenever western Europe exaggerates its influence over the internal or external policies of third countries, it risks losing out both ways: lacking real influence but still seen as a handy scapegoat.

That does not mean that either Europe or America should make a headlong rush from interventionism to pure commercialism. There are still important "policing" tasks for the west, in Asia as elsewhere – particularly in arms proliferation. But in future, they will have to be carried out in partnership with tbe rising nations of tbe east, and with due regard to their sensitivities.

OBSERVER

Haitian overture

■ Intervention in Haiti? Been there, done that. President Clinton has asked Poland to send along a few armed policemen to help winkle out Port au Prince's finest. Trouble is, they've been there before. And it *was* trouble, too.

Today the Polish cabinet considers Clinton's invitation, aware that a previous Polish intervention – as part of an 1802 Napoleonic task force, whose mission was to defeat a slave rising led by François Toussaint L'Ouverture – ended in tears. Many of the 6,000 Polish troops who passed through the island died of yellow fever; still others decided the slaves had a point, and joined forces.

Around 500 settled for good, and Polish surnames and Slavic complexions are sprinkled across some Haitian villages, where catholicism remains strong. Ethnographers say some Polish curses remain in use, while several hymn tunes are recognisably Polish in origin.

A mere 500 returned from the Caribbean in the aftermath of a tragic episode, which taught Poles that the alliance with Napoleon – designed to win them their freedom – could lead to quite the opposite for others.

President Lech Walesa, keen to join Nato, backs Clinton's request and is urging tha government to follow suit, no doubt in the belief that this time the Poles will be on the side of the angels. Or at least quickly return home.

Major league

■ What's in a title? Prime minister John Major's earnest wish to bring about a classless society in Britain has yet to filter through to Downing Street aides handling the protocol for the 16-strong party accompanying Major on his trip to the Gulf and South Africa.

Those businessmen who are not peers or knights are referred to as "esq." (esquire) in the official list. Mere sports stars, however – like rugby player Rob Andrew, athlete Judy Simpson and cricketer Alec Stewart – are plain Mr and Mrs.

Got to keep *some* standards, old boy.

X marks the spot

■ Clearly disgruntled with the South African government's foot-dragging in restructuring apartheid-era institutions, Benny Alexander, the ebullient secretary general of the radical Pan Africanist Congress, has struck his own blow for change.

It registers scarcely a squeak on the Richter scale of international explosions, entailing an alteration of his name to 'Khoisan X' and a denunciation of his previous

'They climb upstream'

appellation as "a symbol of victory for our former oppressor."

Khoi, explains the former Alexander, who claims descent from the indigenous Khoisan peoples of the Cape, means "one who can manage people." And the X? That is "a mathematical variable denoting that which exists but is yet to be accurately identified." Oh yeah, of course.

Hold tight please

■ Foreigners bemused at British willingness to form orderly queues for London buses are probably unaware that the long arm of the law is at work. London Transport has some byelaws aimed at keeping order at its bus stops and on its underground platforms.

Of course, as they were drawn up in 1938 – imposing fines of up to forty shillings, or £2, for offences such as queue-jumping or queueing more than two abreast – ignorance may be excusable, especially as there is no record of recent prosecutions.

Perversely, LT is now considering scrapping such regulations. So as well as a mad scramble for national health service hospital beds or a desk at the better state schools, we shall all be fighting tooth and nail to get on the buses.

Such is progress.

Homely assignment

■ Birgit Breuel, 57, head of Germany's Treuhand privatisation agency, must be hoping the media will finally stop pestering her, now thet she has been appointed head of Expo 2000, the world exhibition beano to be held in Hanover at the turn of the century.

It might be thought an odd move for her. Breuel's experience at privatising the east German economy – and not suffering fools gladly in the process – surely could have opened up any number of top political jobs after October's federal elections, assuming Helmut Kohl wins again. After all, she was finance minister of Lower Saxony from 1986-1990.

Then again, there's been talk that she would be snapped up by industry.

No one is suggesting Expo 2000 won't be challenging. But it could not be as exhausting as tbe effort to get the east German economy back on its feet.

Still, Breuel, who leaves the Treuhand next April after four years in Berlin, always said she wanted to spend more time with her family. No doubt she will pursue that course industriously.

Tally-ho!

■ General Sir Peter de la Billière, commander of the British forces during the Gulf war, appears just as talented at getting investors to part with their money as he was at marshalling the troops.

He is apparently flourishing as a director of Robert Fleming, where he has responsibility for the Middle East, a post he took up two years ago. He has been raking in buy orders for the current $750m offering of vouchers in Pakistan's telecoms company, which Fleming is handling on behalf of the Pakistani government.

Indeed, some non-resident Pakistani individuals in the Middle East have placed orders running to $20m apiece.

No doubt this reflects more a faith in their mother country's phone system than undying gratitude for Sir Peter's part in bounding out Saddam Hussein – thereby safeguarding their wealth.

FINANCIAL TIMES
Monday September 19 1994

US and Britain propose boost to reserves of poorer IMF members

By Peter Norman, Economics Editor, in London

Britain and the US have launched an initiative to allow the International Monetary Fund to boost the official reserves of former communist states and other less prosperous member countries.

The treasuries of the two nations are working on a compromise package that would break many years of deadlock and enable the IMF to issue up to $23.44bn worth of its own reserve asset, known as the special drawing right (SDR). The main purpose of the issue would be to strengthen the finances of those IMF members which have joined the fund since the last SDR issue was made in 1981.

It is understood that the two countries have suggested the issue of between SDR12bn ($17.6bn) and SDR16bn should be aimed primarily at overcoming the unfair treatment of 37 "late entrants" into the IMF, including Russia and most of the other members of the former eastern block.

The details of the Anglo-US initiative are unclear. But it would have to satisfy those countries which have backed Mr Michel Camdessus, the IMF managing director, in his campaign for a general SDR36bn allocation among all the fund's members, and a minority of IMF member states, led by Germany, which have been reluctant to countenance any SDR issue.

Germany will play a pivotal role in any agreement. The Bundesbank, which holds Germany's reserves, has long opposed a general SDR issue on the grounds that it could be inflationary and that there is no reason for such a boost to global liquidity. More recently, however, the Bundesbank has indicated that it might support a "one-off" issue of SDRs, provided it was directed at solving the problem of the unfair treatment of recently joined IMF members.

For the Bundesbank, one attraction of such a selective "equity" issue of SDRs is that it would have to be agreed by 85 per cent of the IMF membership and be the subject of legislative change and ratification by member governments. This difficult procedure would prevent setting a precedent for global money creation by the IMF without legislative hurdles.

A general SDR increase, such as that proposed by Mr Camdessus, would have a less daunting approval procedure. It would require the backing of the IMF executive board of countries representing 85 per cent of the voting rights.

An SDR issue has been debated at the meetings of the IMF's decision making Interim Committee for many years. Mr Camdessus says it is necessary to help meet an estimated need for SDR400bn of extra liquidity over the next five years to finance growth of world trade. It would be a particular boon to the poor two-thirds of IMF members whose currency reserves cover less than 12 weeks' worth of imports.

The IMF managing director is also anxious to rebuild the share of SDRs in world reserves to maintain the idea of it playing a significant role in world monetary affairs. In truth the SDR, which was conceived as a possible replacement for the dollar at the centre of the world monetary system, has declined in importance over the past 22 years and accounts for little more than 2 per cent of global reserves against 8.4 per cent in 1972.

The last meeting of the Interim Committee in April agreed that the question should be settled at the annual meeting of the IMF in Madrid next month.

Global role

Continued from Page 1

both developed and developing countries address the issue.

It is likely to have a significant impact on a Group of Seven industrialised nations meeting set for next February to discuss a global information network.

The Kyoto communiqué, prepared from statements submitted by participating countries, emphasises the desirability of developing "superhighway" infrastructures on a global basis so advanced information and communications services can be provided to every country and region as soon as possible.

Although subject to modification based on discussion during the meeting, it reflects strong concern among developing countries that they could be left behind in the modernisation of international telecoms.

Most developing countries have fewer than five telephone lines per 100 people, compared with more than 40 per head across the developed world. The developed world is also far ahead in the use of mobile communications.

According to a senior official at the Japanese ministry: "Information will become more and more important for economic activity, particularly as the implementation of the Uruguay Round agreement makes the flow of goods and services increasingly smooth."

Despite the positive tone of the Kyoto communiqué, opinion is divided over whether the ITU, which is dominated by developing countries, is an appropriate forum for discussing issues such as how to promote a global information infrastructure (GII).

Japan will propose to the ITU conference the establishment of a forum for members to tackle policy issues, including GII. Such a policy forum would take the ITU beyond its traditional jurisdiction, which has hitherto been restricted to telecoms technology and development matters.

Archer ordered shares in prohibited dealing period

Lord's wife knew of two-month transaction moratorium in 1992

By Robert Peston

Directors of Anglia Television were warned in writing almost two years ago that neither they nor their spouses should ever deal in the company's shares from the end of its financial year of December 31 to the date of publication of its financial results, normally mid-March.

In mid-January earlier this year Lord Archer, best selling author and Conservative politician, whose wife is an Anglia director, placed orders to buy 50,000 Anglia shares. The share orders have been the subject of a Department of Trade and Industry investigation into alleged insider dealing.

The disclosure that no Anglia director or spouse should have dealt in the first two months of any year is contained in formal rules for share dealings by "officers" adopted by the television company's board on September 23 1992. It explicitly prohibits share dealings by directors and their spouses during the "close period".

Anglia directors were asked to inform their spouses of the new dealing rules. One of Lady Archer's fellow directors said that she was "punctilious", and always followed company instructions to the letter. The rules are based partly on the London Stock Exchange's Yellow Book and partly on company law.

All directors were required to sign a copy of the rules indicating that they would "act in accordance with them".

A lawyer said yesterday that the definition of "dealing" in the context of Anglia's rules was ambiguous. Lord Archer placed the share orders on behalf of an acquaintance, Mr Broosk Saib, so in that sense he may not have "dealt" in the strictest sense.

However, he did have an "interest" in the transaction, because the stockbroking firm which received the order, Charles Stanley, was only prepared to carry it out because of its knowledge of Lord Archer.

Charles Stanley had never before heard of Mr Saib and had no knowledge of whether he had sufficient cash to pay the £245,000 needed to buy the 50,000 shares. It carried out the deal because it believed Lord Archer would cover the payment if Mr Saib failed to pay.

Mr David Howard, Charles Stanley's managing director, said that as "agent" for the deal, Lord Archer would have been liable in this sense.

It also emerged yesterday that Charles Stanley had been advised, a few days before the official payment date in February this year, by its solicitor not to pay the £77,219.62 profit on the Anglia share transactions.

There was a risk, according to the solicitor, that Charles Stanley could be embroiled in a court case if the market makers who sold the shares to Mr Saib via the broker sued on the basis that the purchaser might have benefited unfairly from inside information.

Anglia's rules also say there should be no dealings in Anglia shares by directors, their spouses or other "connected" persons when the directors are "in possession of information likely, upon publication, to affect the market price of those securities".

The greatest story never told, Page 9

China's oil sector

Cootinued from Page 1

producers and refiners, including Aramco, Saudi Arabia's state oil company, to set up joint venture refineries.

The country's need for extra refining capacity is underscored by the fact that it has 20 per cent of the world's population but only 3.7 per cent of world crude processing capacity. Last year China became a net importer of crude oil, and demand for refined products is growing rapidly.

In 1993, China exported 3.38m tonnes of refined products but imported 12.8m tonnes. Crude imports reached 15.65m tonnes. Total output of crude last year was 143.7m tonnes from both onshore and offshore fields, but China is struggling to maintain these production levels.

Earlier this year, Beijing clamped down on crude oil imports in an effort to bring order to a chaotic local market, but Mr Li predicted that imports would rebound next year. Demand would remain buoyant last for a long time to come, he said.

THE LEX COLUMN

Drugs on diet

The growth rate of Glaxo's R&D spending is decelerating fast. Increases of 25 per cent and 24 per cent during 1992 and 1993 have been followed by a budgeted rise of only 16 per cent this year. The company expects the budget to advance only 4.8 per cent in 1995. Part of this reflects Glaxo's own development programme which has just completed a particularly busy period. But the slowdown also underscores a more general trend. Last year 11 of the top 12 US groups moderated the growth of their R&D spending. Three actually cut their budgets.

The slackening rate of R&D spending is not necessarily damaging for the sector which had been raising R&D budgets to unsustainable levels. Worldwide R&D investment expanded from $5.5bn in 1981 to an astonishing $30bn last year. To obtain a return of 10 per cent on that sum by 2004, the world drugs market would have to reach $448bn, compared with a present size of about $200bn. That would require market growth of 8.4 per cent a year, more than double the present rate.

Concerns that slowing investment growth will mean fewer innovative medicines are unjustified. Much of the recent rise in spending was used to create worldwide development capabilities. For most groups these are now in place. Moreover, the waste in the pharmaceuticals industry has been legendary, with R&D departments among the worst offenders. Drugs groups will have to raise their productivity by spending their money more wisely. Those failing to do so will prove incapable of finding the new medicines necessary for survival.

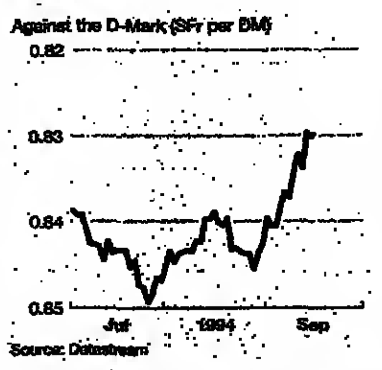
Deutsche Telekom

It may look like an excess of Teutonic efficiency that Germany has set today as the deadline for investment bankers to apply for a role in Deutsche Telekom's privatisation. After all, the first shares are not due to be sold until 1996. Nevertheless, there is much to be said for Germany's forward planning. Many questions need to be answered before a sale, including how Telekom's balance sheet should be restructured and when its markets should be opened to competition. It makes sense to take such decisions in the light of how potential investors might react.

Telekom's balance sheet is a mess. The burden of building a network in east Germany has pushed gearing

Swiss franc

Against the D-Mark (SFr per DM)



Source: Datastream

over 300 per cent. As capital spending drops, gearing will fall too. But massive depreciation charges will continue to weigh down profitability for years. This suggests that earnings could be tarted up by writing down Telekom's east German network. The snag is that a substantial write-down could destroy an already ropy balance sheet. There is, though, a way of squaring the circle: at the same time as overvalued equipment is written down, Telekom's undervalued property assets could be revalued.

Ministers will also need to decide when Telekom's infrastructure monopoly should go. The company itself wants to cling to it for as long as possible. But, paradoxically, this may not be best for potential investors. The sooner the monopoly goes, the sooner Telekom will come under pressure to improve efficiency and the sooner it can expect to be freed from the obligations that come with holding a monopoly.

Corporate earnings

With input prices rising faster than output prices the risk of a UK corporate margins squeeze appears of more than academic interest. The worry is that the earnings and dividend expectations underpinning the London equity market may have failed to include such problems and are therefore over-optimistic. The realisation that the City could have been anticipating unrealistic earnings growth is undoubtedly contributing to the present stock market turbulence.

The conundrum is whether the experiences reported this month by APV and BTR were special cases and their margin squeezes specific. The alternative view is that they represent the harbinger of a more general round of disappointing results. After all, a trend starts with individual examples.

For the moment, APV's and BTR's problems look exceptional, though nonetheless worrying. APV suffered specifically from a German competitor trying to elbow its way into one of its markets through aggressive pricing. As for BTR, only a small minority of its businesses actually experienced shrinking margins. By contrast, Cookson, Bowater and Arjo Wiggins Appleton reported little difficulty passing on the cost of raw material price rises. Nevertheless, the market will be sensitive to any additional margins disappointments that might indicate a real trend. Given so much is expected, those companies failing to match the City's hopes are likely to be find themselves severely punished.

Switzerland

The appreciation of the Swiss franc against the D-Mark this month reflects uncertainty over the outcome of the forthcoming federal elections in Germany, coupled with the apprehension that monetary policy in the two countries is set to diverge as Swiss short-term interest rates rise. The strength of the Swiss franc – against the US dollar as well as the D-mark and other European currencies – may delay the implementation of rate increases, but there is no doubting Switzerland's enhanced attractions as the safest of Europe's safe havens.

Whether this means that Switzerland's financial markets are due for a prolonged bout of outperformance vis a vis their German counterparts, is another matter. Arguably the Swiss franc is overvalued on a purchasing power parity basis, limiting the scope for a further widening of the differential between yields on Swiss and German bonds. As for equities, Switzerland has underperformed European markets by 10 per cent since the course of US monetary policy changed in early February, and is likely to continue to do. This is partly due to the currency effect, which depresses earnings at Switzerland's multinational corporations, as evident from the muted first half earnings growth reported by Nestlé last week.

The Swiss market, which outperformed Germany earlier in the economic cycle, now gives investors less geared exposure to recovery than Germany, where analysts expect that, thanks to restructuring, corporate earnings will rise by 80 per cent this year and 40 per cent next.

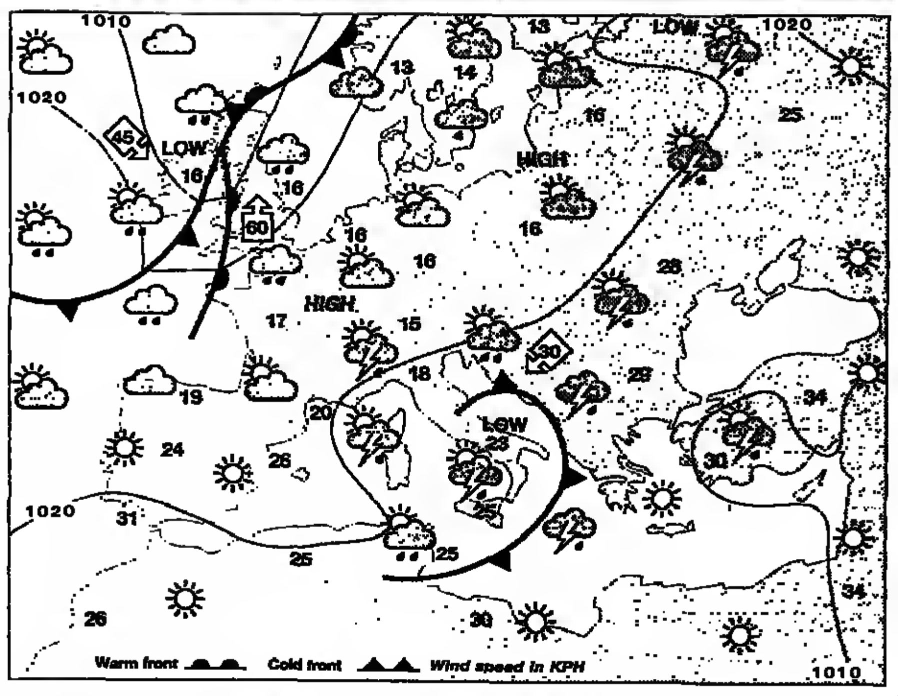
FT WEATHER GUIDE

Europe today

A frontal system approaching from tha west will slow down over western France and the British Isles, causing rain. Winds will increase to near gale force around the Channel and south-west England. The remainder of western Europe will benefit from a strong ridge of high pressure producing mainly dry conditions with mixed cloud in most areas. The central Mediterranean basin will continue unsettled, especially in Italy and around the Adriatic where numerous thunder showers or rainy periods will occur. Highest temperatures will be in Greece, Turkey and southern Spain where the risk of thunder showers will increase.

Five-day forecast

Significant rain is expected around the western Mediterranean as a new surge of cold and unstable air moves south through France. Meanwhile, central Europe will have rising temperatures towards the end of the week. High pressure will cause more settled conditions over the British isles but rain is expected later in the week. Scandinavia will continue mainly dry and rather sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	fair	31
Algiers	fair	25
Amsterdam	fair	17
Athens	sun	30
Atlanta	sun	26
B. Aires	thund	27
B.ham	rain	15
Bangkok	thund	32
Barcelona	sun	22
Beijing	fair	27
Belfast	rain	16
Belgrade	thund	16
Berlin	fair	15
Bermuda	fair	30
Bogota	drzzl	18
Bombay	shower	28
Brussels	fair	16
Budapest	shower	16
C.hagen	fair	14
Cairo	sun	34
Cape Town	fair	18
Caracas	thund	31
Cardiff	rain	14
Casablanca	sun	26
Chicago	fair	25
Cologne	fair	18
Dakar	sun	30
Dallas	sun	31
Delhi	fair	35
Dubai	sun	39
Dublin	rain	17
Dubrovnik	cloudy	21
Edinburgh	rain	16
Faro	sun	28
Frankfurt	fair	17
Geneva	fair	14
Gibraltar	sun	24
Glasgow	rain	15
Hamburg	fair	14
Helsinki	fair	13
Hong Kong	thund	29
Honolulu	fair	32
Istanbul	sun	29
Jakarta	fair	32
Jersey	rain	17
Karachi	fair	34
Kuwait	sun	43
L. Angeles	sun	24
Las Palmas	sun	27
Lima	cloudy	22
Lisbon	sun	27
London	rain	18
Lux.bourg	cloudy	15
Lyon	fair	16
Madeira	fair	25
Madrid	sun	23
Majorca	fair	23
Malta	thund	26
Manchester	rain	18
Manila	thund	32
Melbourne	shower	14
Mexico City	cloudy	21
Miami	thund	34
Milan	shower	16
Montreal	shower	19
Moscow	fair	20
Munich	fair	13
Nairobi	sun	29
Naples	thund	23
Nassau	thund	31
New York	sun	23
Nice	shower	19
Nicosia	sun	34
Oslo	fair	13
Paris	fair	18
Perth	fair	28
Prague	fair	18
Rangoon	cloudy	31
Reykjavik	cloudy	10
Rio	fair	26
Rome	thund	22
S. Frsco	fair	24
Seoul	fair	27
Singapore	drzzl	31
Stockholm	shower	14
Strasbourg	cloudy	16
Sydney	shower	18
Tangier	sun	28
Tel Aviv	sun	32
Tokyo	cloudy	26
Toronto	fair	21
Vancouver	sun	24
Venice	cloudy	18
Vienna	cloudy	17
Warsaw	sun	17
Washington	fair	24
Wellington	fair	14
Winnipeg	fair	20
Zurich	fair	14

FINANCIAL TIMES
COMPANIES & MARKETS

Monday September 19 1994

MARKETS
THIS WEEK

PETER NORMAN:
ECONOMIC NOTEBOOK
The decision by Mr Kenneth Clarke, tha chancellor, to raise bank base rates by half a percentage point last week has naturally prompted fears of further interest rate increases. Memories of the savage doubling of UK base rates to 15 per cent in the 18 months to October 1989 are still relatively fresh. Page 22

GERARD BAKER:
GLOBAL INVESTOR
Even as tha US puta tha finishing touches to its latest Caribbean adventure this week, it will taka another step nearer the brink with a rather more powerful adversary. No lives are at risk in the trade conflict between the US and Japan, but the implications for world currency markets are far-reaching. Page 22

BONDS:
Amid the bloodbath in the world's bond markets this year, one area of the eurobond market, the floating-rate note sector, has thrived. With the move upwarda in European short-term interest rates nnly just beginning, FRNs look set to remain in vogua. Page 24

EQUITIES:
UK analysts are facing tha question they have been skating around all summer; will economic recovery, in the shape of higher company earnings and dividends triumph over higher base rates to keep the market moving ahead? Meanwhila Wall Street is entering a relatively quiet period. Page 25

EMERGING MARKETS:
Foreign investors wanting to enter tha Seoul bourse could only watch in frustration last week as the general share index reached its historical high of 1023.61 on Saturday. Page 23

CURRENCIES:
Markets will this week continue their long running dollar vigil, but this time it will be politics as well as economics occupying their thoughts. Page 23

COMMODITIES:
Rumours have been emerging from Bangkok, where the Association of Tin Producing Countries is holding a ministerial meeting today and tomorrow, that the producers are ready to abandon the export quota system which they had hoped would reduce global stocks and boost prices. Page 22

UK COMPANIES:
Filtronic Comtek, a UK manufacturer of components for the mobile telecommunications industry, is coming to the stock market next month in a move expected to produce a market capitalisation of £60m. Page 20

INTERNATIONAL COMPANIES:
Apple Computer is today expected to unveil plans to license its Mackintosh software to other manufacturers, for the first time allowing them tn produce Mackintosh "clones". Page 21

STATISTICS

SA bank plans syndicated loan

By Graham Bowley

A South African bank is to launch the first syndicated loan by a South African company since 1985, marking an important step in the country's return to international capital markets after its first all-race elections in May.

Rand Merchant Bank, one of South Africa's three largest investment banks, is to borrow $50m from a syndicate of international banks within the next two weeks, according to Citibank, the US bank which is arranging the deal.

Although the amount is relatively small, larger deals are likely to follow. Gencor, the South African mining company, is expected to come to the syndicated loans market at the end of this year with a seven-year $537.5m loan to help finance the company's acquisition of Sbell's Billiton matals and minerals business.

These loans are emerging as South Africa seeks a debt rating from the international rating agencies, and follow tha completion in July of the first global offering of convertible bonds hy a South African company, a $300m deal for Liberty Life, the country'a largest life insurance company. South Africa plans to tap the international hond market, when it has acquired a rating.

Many international banks are keen to lend to South Africa which is viewed as a high growth area hut which has been largely closed as a result of sanctions.

In a syndicated loan, one or two banks arrange a transaction and parcel out portions of the loan in order to share the risk.

Citibank, which is in tha process of sounding out interest among other banks, said the loan will have a final maturity of one year with individual drawings maturing in 90 to 180 days. It said European banks are expected to he the main participants hut also reported strong interest from the Middle East.

Deborah Hargreaves explains UK farmers' efforts to escape from a deep trough

Too many little piggies come to market

Most pigs to be slaughtered in the UK this week will be sold at a loss of about £3.40 ($5.30) per animal as the pig industry remains in the deep trough of a year-old recession. Even for an industry used to the ups and downs of the production cycle, tha latest downturn has hit producers hard.

Pig farming is not cushioned by subsidies under the Common Agricultural Policy, unlike most other sectors of European agriculture, which means producers must rely on the vagaries of the free market. This has seen farmers losing up to £7 on every pig sold when prices dropped to an all-time low last October.

The severity of the recent downturn has pushed many individual producers out of business and forced companies to rethink their commitment to pig farming. Dalgety, the food and agribusiness company, which last week pointed to the slump in the European market as a dampener on its annual profits, says it will leave pig farming altogether within the next year.

Pig producers have been operating below break-even for most of the past year except for a brief respite in May when prices rose above the cost of production for four to six weeks. Pigs operate in a typical farm commodity cycle wherehy high prices encourage over-production which leads to a slump in the market.

But the National Farmers' Union complains that the pig cycle – the period between the peaks and lows in price – used to take five years, but has recently apeeded up to two. Added to that, the current downturn has lasted longer than usual.

There are a number of factors behind the recent decline. It started in 1991 with the re-unification of Germany when up to 60 per cent of the former East Germany's swine herd was culled – a factor which depressed pork prices across the European Union. After that, reform of the CAP in 1992 with its planned cuts in cereals prices, encouraged many arable farmers to re-direct some of their farming effort into pigs. France also offered state aids to some pig producers as a way of ensuring they stayed in production.

Those payments have since been condemned by the European Commission, which called on the producers to repay subsidies received. But these factors in the EU market led to 4 per cent over-supply or 700,000 tonnes of pork last year.

"We've been reducing our involvement in pigs on the feeding side over the past three years. We've now got only 30 per cent of the sows we did have," said Mr Mick Hazzledine, general manager of Dalgety's livestock division. He predicts Dalgety will have disposed of its remaining pig schemes within a year.

Dalgety will stay in the high-tech business of selling breeding stock through its Pig Improvement Company subsidiary.

Others are cutting back or getting out. Unigate, the dairy company, sold its remaining 6,500 pigs last month, and Daisy Hill Pigs, part of the Usborne animal feeds group, is to cut its number of sows from 15,500 to 9,000.

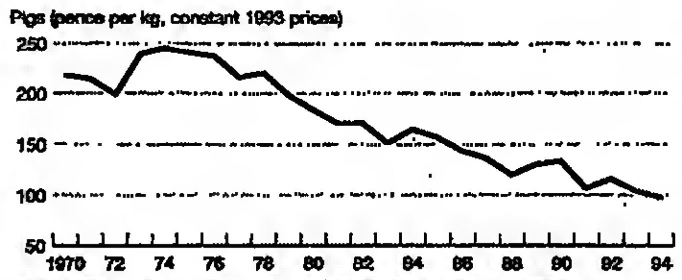
But BOCM Pauls, the agribusiness unit of Harrisons and Crosfield, is bucking the trend and actually expanding its involvement in pigs even though Mr George Paul, chief exechtive, says the company lost £3m on this business over the past year.

"We called some consultants in to have a very critical look at our business earlier this year," Mr Paul said. "They concluded that the UK does not have any inherent disadvantages in pig production compared with its European competitors and that our business is one of the most efficient in the sector. That's why we decided to expand – an upturn has got to come sooner or later."

BOCM Pauls runs the biggest pig production unit in the country as a joint venture with J. Sainshury, the supermarket group. Breckland Farms in Norfolk produces 3,000 pigs a week.

Harder to bring home the bacon

Pigs (pence per kg, constant 1993 prices)



Source: Ridgeon: The Economics of Pig Production/ Meat & Livestock Commission

The company also has pigs of its own which farmers look after for a fee. As part of its expansion plans, it has taken on pigs from the Malton Bacon factory owned by Unigate and the pig operations of Louis Dreyfuss, the grain trading company.

These pigs are raised on farms to which BOCM supplies the feed and then pays farmers a fee for caring for them as well as a honus for good performance. While farmers are guaranteed a steady income, the feed company has to absorb the profit and loss on the sale of the pigs.

Agrihusiness companies have traditionally been involved in pig production as a way of securing outlets for their feed. But Mr Hazzledine says that farmers sometimes see them as competitors and blame them for distortions in the market. They are willing to absorb losses for longer than individual farmers which can distort free market signals.

This could be one reason for the slowness of prices to bounce back from recent lows. The Meat and Livestock Commission, the UK industry's promotional organisation, reports last week's price at 99.6p per kg of dead weight. But the industry's benchmark for breaking even is generally put at 105p per kg which means farmers are still losing money.

The European herd has contracted this year, hut supply remains higher than static levels of consumption and prices are recovering only gradually.

Healthcare deals top $18bn in first half

By Daniel Green

More than $18hn changed hands in mergers and acquisitions in the healthcare industry in the first six mooths of 1994 and dealmaking is continuing at a fast pace, according to KPMG Peat Marwick, the management consnltancy.

Deals worth $18.4bn were completed in the first half of 1994. At least another $18bn worth of hids and deals have already been struck in the second half of the year.

"The entire US healthcare system is being turned npside down," said Mr Robert Esposito, US natiooal director of KPMG's biotechnology and life sciences practice. "New legislation is being stalled in Congress but the healthcare industry is restructuring itself ready for a new environment."

Of the 37 mergers and acquisitions in the first half, all hnt seven involved US companies.

The two higgest deals were American Home Products' hid of almost $10hn for American Cyanamid and Roche of Switzerland's $5.3hn for California's Syntex.

Two deals were vertical integrations – nnusual for the drugs industry – as Eli Lilly of the US and SmithKline Beecham of the UK bought drug distributors PCS and Diversified Pharmaceutical Services respectively.

The husiest company was SmithKline which has conclnded three deals – two as hnyer, one as seller – wortb a total of $6.2bn.

Only one of the ten deals the merger of Akzo of the Netherlands and Nobel Industrie of Sweden, was wholly non-US.

Mr Esposito argues that the deal-making will continne as drug companies struggle to maintain revenues. As well as healthcare legislation, they face patent expiries – drugs with annual revennes of $20bn a year will lose US patent protection over the next decade.

Many drug companies are turning to the biotechnology sector, rich in research possibilities but in need of funding, to complement their own research programmes.

KPMG recorded more than 200 new alliances established between drug companies and biotechnology companies in the first half of the year.

Hungarian privatisation, Page 17
Top ten deals, Page 17

This week: Company news

CREDIT LYONNAIS

More losses expected at troubled bank

Crédit Lyonnais, France's state-owned bank, is expected to report another large loss when it announces its first half results on Thursday, with earnings depressed by the general fall in credit demand in France and weighed down by continued bad loan provisions.

Its chairman, Mr Jean Peyrelevade, had earlier predicted that the banking group, which recorded a 1993 net loss of FFr6.9bn ($1.28bn) after FFr17.8bn worth of provisions, would hreak even in the second half of this year and return to profit in 1995.

But the group has taken longer to clean up of its balance sheet than it expected, and though it has not uncovered any major new problems, it is likely to have to make further provisions for doubtful loans and investments by its Althus and SDBO subsidiaries.

As a result, analysts expect a first half net loss well above the FFr1.05bn loss reported for the same period of 1993.

Pechiney, the French aluminium and packaging group, will announce its interim results today. Despite improved economic conditions and higher aluminium prices, industry analysts are cautious about the prospects for increased earnings.

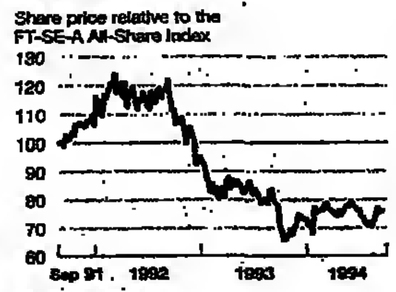
The state-owned group, which is marked down for privatisation, suffered a net loss of FFr980m ($182.8m) in 1993.

Michelin, the French tyre-making company, will announce first half results tomorrow which will reveal the extent of recovery at the group.

Last year, Michelin suffered net losses of FFr3.67bn, reflecting the impact of restructuring costs and the depressed state of the European automobile industry. This year, most analysts are expecting a sharp recovery as the benefits of recovery feed through.

Guinness

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

GUINNESS

World Cup surge is good for profits

The luck of the Irish football team in tha World Cup is thought to have been good for Guinness, the spirits and brewing group which reports its interim results on Thursday. Sales of the famous stout surged on both sides of the Atlantic as fans drank in celebration of Ireland's progress to the last 16 teams. Guinness, which sponsored the Irish team, became the fastest growing imported beer in the US.

The City is expecting pre-tax profits for the six months to the end of June to come in around £320m ($496m) compared with a restated £305m previously. Mr Tony Greener, who took over as chairman at the beginning of last year, warned at the annual general meeting in May that there was no sign of generally improved market conditions, hut he did forecast modest profit growth for the half year. Operating profits from brewing, which last year contributed £99m, are expected to rise, lifted by higher sales in Ireland and Malaysia.

However, Guinness makes the bulk of its profits in the spirits market, where it sells dozens of brands. Conditions have been tough as recession has hit the group'a big markets in the US, UK, and Japan. Operating profits are expected to be flat, but there are signs of a recovery in volumes in the UK, while the group is gaining market share in the US.

OTHER COMPANIES

Bonds may hinder Olivetti's progress

Half-year results of Olivetti, the Italian computer group, are keenly awaited on Thursday, following two to three weeks of severe pressure on the company's share price. Analysts expect the company to break even at operating level, but Olivetti has already admitted it will be forced to take an extraordinary loss on its share and bond portfolio, which it is believed could top L100bn ($64.10m).

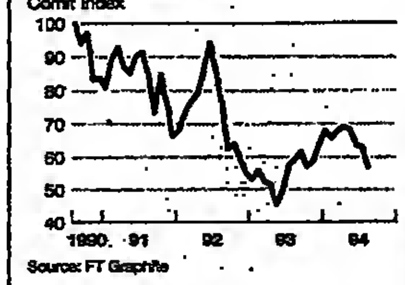
■ Coles Myers: Shareholders in Coles Myers, one of Australia's largest retailers, will vote today on the proposed buy-back of a 21.45 per cent stake in the company held by Kmart, the hig US discount and specialty store operator. Coles plans to acquire 129m shares, or just under 10 per cent, of its stock directly for A$587m ($431.6m), and cancel them. It is also seeking approval to acquire a Kmart subsidiary which owns the remaining stock for A$672m.

■ Pechiney: The French aluminium and packaging group will announce its interim results today. Despite improved economic conditions and higher aluminium prices, industry analysts are cautious about the prospects for increased earnings.

■ Swissair: The largely privatised Swiss national carrier, was much maligned by investors last year as it stumbled towards finding a strategy for future survival in a hostile environment. Reports of improved traffic and revenues in recent months have raised hopes that it has finally found its way and that this will be reflected in its interim results, due tomorrow.

Olivetti

Share price relative to the Comit index



Source: FT Graphite

■ Bertelsmann: One of the world's largest media groups, and still privately owned, presents its annual results tomorrow, having forecast that turnover will rise hy 6 per cent to over DM18bn ($11.4bn). The Gütersloh-based group seems to have put the Vox debacle behind it and has been focusing on a new pay-tv venture.

■ Generali: Italy's biggest insurance company will announce parent company results on Thursday for the first half of the year. The full effect of liberalisation in the Italian motor insurance market will not be felt until the second half, but the company is expected to show a rise in non-life premium income of some 10 per cent.

Companies in this Issue

Likely £60m tag for Filtronic Comtek

By Christopher Price

Filtronic Comtek, a manufacturer of components for the mobile telecommunications industry, is coming to the stock market next month with an expected market capitalisation of £60m.

The float will be made through a placing to US and UK institutions, which is expected to raise £25m. Of this, £15m will be new money.

Formed in 1977, the company worked principally in the defence electronic business, moving to work full-time on its telecoms developments with the rapid expansion of the mobile market in the late 1980s.

As the number of telecoms systems and users has grown, base stations, through which a mobile telephone connects to a telephone system, have had to cope with an increasing number and variety of signals.

Filters used in the combining and separating of the signals are an integral part of the base station. Filtronic also supplies subsystems which combine filters and other electronic components to enhance a base station's capabilities.

Sales have grown from £1.23m in 1992 to £10.22m in the year to May 31 1994 during which pre-tax profits have increased 10-fold to £1.11m. Panmure Gordon, the company's broker, is forecasting profits for the coming year of between £3.3m and £3.5m.

Professor David Rhodee, executive chairman, said: "Ws are the first equipment supplier in the telecoms industry to go public, giving investors the opportunity to become directly involved in one of the fastest expanding industries."

He pointed to industry research forecasting the number of mobile subscribers worldwide rising from 30.5m in 1994 to 125m in 2000.

The company'e development has been funded through borrowings and venture capital, most of which will be repaid following the flotation. Between £5m and £6m has been earmarked to expand production facilities in Yorkshire, Glasgow, Maryland and New Hampshire.

Prof Rhodes said the company wanted to increase its share of the fast-growing south-east Asian market.

The company supplies most of the leading telecoms manufacturers in the world, and has replaced AT&T's in-house filter production facility.

NatPower goes to law over US deal

By Michael Smith

National Power, the electricity company, has filed a law suit against Transco Energy of Houston, a gas trading company, in a dispute arising from a $150m (£97m) deal between the two companies last year.

It says Transco "materially mis-stated" the value of Tren-Fuels, a fuel services subsidiary of the Tevco power stations company bought by National Power in the deal.

Tren-Fuels, was valued at $17m to $25m at the time of the purchase in June last year, according to the law suit.

National Power said it invested another $6m in Tren-Fuels. But when it hired an investment banking company to sell the snbsidiary, the highest offer was £1,000, according to the suit.

Under the agreement, Transco is obliged to refund a portion of the Tevco purchase price if National Power sells Tren-Fuels for a loss within five years.

National Power accuses Tren-Fuels of violating federal and state securities laws.

It acknowledges in the suit that Transco has accnsed it of failing to expend enough effort in trying to sell Tren-Fuels.

National Power said yesterday that it hoped to reach a settlement with Transco. It did not feel the dispute was material in the context of its US business.

Lloyd's trust seeks funds from HK

By Richard Lapper

Investors in Hong Kong are *being targetted by the backers* of a new corporate capital scheme for the Lloyd's insurance market.

Venton Underwriting Agencies said on Friday that it was aiming to persuade both wealthy individuals and institutions in Hong Kong, as well as investors from Bermuda and the UK, to provide some £25m in capital for a new Lloyd's investment company, originally announced last month.

Meanwhile, a planned venture involving JIB Group, an insurance broker in which the Hong Kong-based conglomerate Jardine Mattheson owns a majority stake, could also look to east Asia for support. JIB and Swiss Bank Corporation, *hava jointly formed* Jardine Lloyd's Advisers, which will advise Lloyd's members.

Its founders are understood to be looking to raise between £25m and £50m for the investment trust, which would support a range of syndicates at Lloyd's. The market raised some £800m for a range of corporate capital vehicles last year, with UK institutions providing the bulk of the money.

This year interest in the UK has declined. Some agencies are looking further afield.

Venton, which is working with Bermuda's Butterfield Securities on its deal, is offering investors 100p shares in the new company for only 20p, the balance of capital required being supplied in the form of a letter of credit or other collateral.

"Ths capital structure . . . offers an exceptionally advantageous gearing ratio on the actual cash amount subscribed whilst retaining the benefits of limited liability," said the group.

The venture, still subject to Lloyd's approval, aims to supply capital only to Venton's three syndicates and is one of a number of so-called "dedicated" funds being developed at the market.

Most of the money raised last year supports a series of stock market listed investment trusts, which support a range of agencies and syndicates.

Venton said it had no immediate plans to eeek a stock market listing for Venton Underwriting Group, and would raise the money through a private placement. Prior to any listing Butterfield Securities, will provide a matched bargain facility for the shares.

Mr Jeremy Venton, senior underwriter, said he saw corporate capital as a more reliable long-term source of funds than the individual Names.

Venton plans to increase capacity – the amount of premiums its eyndicates can underwrite - from £127m in 1994 to £185m in 1995.

Tiphook 'unaffected' by bankruptcy moves

By David Blackwell

Tiphook, the transport leasing group, yesterday continued to insist that it was unaffected by the bankruptcy proceedings against Mr Robert Montague, its founder and chief executive.

The Royal Bank of Scotland has issued a bankruptcy petition over a £2.3m loan to Mr Montague. Reports at the weekend suggested that he has debts of about £30m.

Mr Montague has considerable assets, including a large estate in Oxfordshire and a home in Knightsbridge. However, his shareholding in Tiphook, once worth more than £18m, is now worth about £1m.

The Royal Bank of Scotland loan is understood to be linked to the farming businesses in Oxfordshire. Changes in the terms of the loan are thought to have been under negotiation for some time.

News of the bankruptcy proceedings emerged at last Thursday's annual meeting and took Mr Montague and the board by surprise. The group's bankers and Mr Ian Clubh, its newly appointed chairman, are continuing to support Mr Montague.

If he were to be declared bankrupt, he would have to step down from the board, which has declared that he is key to the group's survival.

The directors were clearly shocked at the circumstances of the bankruptcy revelations by a shareholder representative at the AGM, where Mr Montague was already under attack over his remuneration. However, sources close to Tiphook remain adamant that he will survive this latest indignity.

Enviromed makes £7.4m buy

Enviromed, the biotechnology group, has bought F&H Baxter (Holdings), a dental equipment and supplies company, for £7.42m.

Enviromed also proposes to raise £2.7m by the placing and open offer of 3.6m 8 per cent convertible redeemable preference shares at 100p. The shares are being offered to existing shareholders on the basis of two for every 13 ordinary shares.

The acquisition will be satisfied as to £2.1m by the issue of 1.7m ordinary shares, £3.72m in variable rate guaranteed unsecured loan notes, and £1.6m in cash. Of the cash consideration, £1.38m will be deferred until ths Inland Revenue agrees to offset Baxter's advance corporation tax liability arising before September 1994 against mainstream corporation tax.

Turnover for Baxter for the year ended August 31 1993 was £19.1m (£18.2m) for pretax profits of £2.3m (£1.59m).

Flotation for Ind Brit Healthcare

By David Blackwell

Independent British Healthcare, which has 17 hospitals spread between Stirling in the north and Tunbridge Wells in the south, is coming to the market early next month.

The group, which is expected to have a market capitalisation of about £45m, will be raising approximately £20m of new money through a placing. It will be used to reduce the net dsbt of abont £37m, cntting gearing from some 130 per cent to 45 per cent. Net assets are £28m.

Ths company, which makes 80 per cent of its income from private medical insurance, opened its first hospital in 1983 – a converted country house in Chorley, Lancashire, with 15 beds. Mr Keith Chadwick, chief executive, said yesterday that local consultants had spoken of the need for a private hospital in the area.

Both the consultants and local businessmen put money into the initial venture, which lost £45,000 in the first year, but made £140,000 on turnover of £726,000 in the second year.

Mr Chadwick and his cofounder Mr John Lyons, a chartered surveyor, continued to expand, setting up three companies under the Business Expansion Scheme and two with institutional money. Earlier this year the five companies were merged into one group.

There are now 2,400 shareholders, many of them doctors. The two founders each own 11.5 per cent of the equity. Mr Chadwick is not selling any shares, and expects to have about 6 per cent after flotation. Mr Lyons is selling two-thirds of his stake.

Pre-tax profits for the year ending September are expected to be about £2.2m after paying £3m of interest. The group will pay no tax because of accrued capital allowances.

Beeson Gregory is both sponsor and broker to the issue.

Embassy Prop in talks with John I Jacobs

By Richard Wolffe

Embassy Property, the development and investment gronp, has received an approach from John I Jacobs, the transportation company.

Mr Michael Kingshott, non-executive deputy chairman of Embassy and managing director of Jacobs, would take no part in reviewing ths approach, Embassy said.

Embassy had a pre-tax loss of £852,000 (£1.25m profits) for the year to March 31 on turnover of £11.9m (£9.12m).

During the period the company acquired Skillion, a light industrial property specialist. Mr Kingshott, managing director of Skillion, joined the Embassy board and acquired 35m shares from Mr Tai Yn Wong, Embassy chairman, and Mr Tai Lu Wong, who previously owned 53.6m shares, a holding of 51.4 per cent.

Mr Kingshott was appointed managing director of Jacobs after a boardroom shake-up earlier this year.

NEWS DIGEST

OIS decline in line with warning

In line with a warning in July OIS International Inspection reported pre-tax profits of £60,000 for the first half of 1994, against £1.44m.

Mr James Mayne, chairman, said action had been taken to cut costs.

The shares lost ½p to 25½p, compared with a fall of 18p to 36p following the warning and a price of 50p at flotation at the end of 1992.

Turnover for the testing company fell from £24.2m to £19.6m. Earnings per share came out at 0.2p (3.9p) and the interim dividend is 0.5p (0.7p).

Conrad continues recovery with £0.1m

Conrad, the Manchester-based sports, leisure and consultancy company, continued the recovery seen at the half year and for the 12 months to end-June achieved pre-tax profits of £100,230 compared with losses of £1.48m.

Mr Rodney Walksr, the chairman, said that with all subsidiaries now operating profitably the intention was to grow both organically and by acquisition in each area.

Turnover jumped to £5.3m (£770,000) with £328,000 from acquisitions. Earnings per share were 0.15p (3.26p losses).

Capital and Regional buys shopping centre

Capital and Regional Properties, in conjunction with Easter Management Group, has acquired the Eldon Garden Shopping Centre in Newcastle upon Tyne for £8.6m from Greycoat.

Net assets advance at Primadona

Net asset value for Primadona, the investment trust, advanced from 241p to 294p over the 12 months to June 30.

Net revenue for the year to the end of June was £54,145 (£173,927) for earnings per share of 1.2p (3.9p). The proposed final dividend is held at 2.5p for an unchanged total of 4.5p.

Elys (Wimbledon) up 45% to £107,000

Pre-tax profits rose 45 per cent at Elys (Wimbledon), the department store, from £74,000 to £107,000, in the half year to July 30. Turnover increased slightly from £4.35m to £4.54m.

As confidence returned to the housing market, the household departments, particularly linens, soft furnishings and electrical goods, showed strong improvement.

Earnings per share rose to 6p (4.1p) and the interim dividend goes up by 0.5p to 2p.

Ferguson offer for Elswick closed

The agreed £38m offer by Ferguson International Holdings, the mini-conglomerate, for Elswick, a rival label supplier, becams unconditional in all respects on September 13 when the mix and match election closed.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Bayer (Germany)	Unit of Sterling Winthrop (US)	Pharmaceuticals	£649m	Swift sale by Smithkline Beecham
American Express (US)	Unit of Thomas Cook (UK/Germany)	Travel services		Further buys on cards
Forte (UK)	Meridien (France)	Hotels	£227m	Beating off Accor
T&N (UK)	Kolbenschmidt (Germany)	Motor components	£118m	Options on majority stake
Lear Seating (US)	Sepi (Italy)	Motor components	£104m	Fiat outsourcing move
EdF (France)	Sydkraft (Sweden)	Electricity	£97m	Strategic 5.5% stake
British Steel (UK)	Avesta Sheffield (UK/Sweden)	Steel	£85m	Stake up to 49.9%
Bank of Nova Scotia (Canada)	Banco Quilmes (Argentina)	Banking	£37m	Taking 25% stake
United Biscuits (UK)	Dalgety Foods Holland (Netherlands)	Food	£21m	Dalgety refocussing
Charles Baynes (UK)	Industrie Mecanique (France)	Engineering	£4.25m	Part of £14m package

Apple to allow Mackintosh clones

By Louise Kehoe in San Francisco

Apple Computer is today expected to unveil plans to license its Mackintosh software to other manufacturers, for the first time allowing them to produce Mackintosh "clones".

This follows an announcement on Friday by IBM that it is to delay release of its long-awaited PowerPC computers until the first half of next year. Tha company said the postponement of this oew generation of personal computers, based on its PowerPC microprocessor, would hopefully enable it to take advantage of more software being available.

The delay is a further setback for IBM's PC business, which has been losing market share to competitors for the past six months. The first PowerPC personal computers had been scheduled for introduction next month, and ware seen as helping the company to regain its momentum.

IBM said that although desktop and mobile PowerPC models are already being shipped to select customers and software developers, general availability has been postponed.

Last month, Mr Rick Thoman, IBM senior vice-president in charge of all IBM'a personal computer related businesaes, acknowladged that PowerPC currently lacks the software base to make it attractive to most PC users, and last week IBM confirmed that it has yet to complete development of a PowerPC version of its OS/2 PC operating system software.

PowerPC microprocessor technology has been jointly developed hy IBM with Apple Compoter and Motorola over the past three years. PowerPC chips were initially seen as a challenge to the market leadership of Intel, which holds about 90 per cent of the market *for "brain" chips used in PCs.*

However, the prospects for PowerPC displacing Intel'a technology as an industry standard now appear to be increasingly remote. Other PC manufacturers that have shown interest in the technology are generally waiting for IBM to create demand before committing significant resources to the new technology.

Apple Computer, meanwhile, has been selling Macintosh computers based on PowerPC chips since March with moderate success. The early rush of orders for "Power Macintosh" models has , however, slowed, according to market analysts.

Today, Apple is expected to announce a significant shift of strategy to license its Power Macintosh software to other PC companies in a bid to boost profits and expand its influence over software application developers.

*Apple has long been critic*ised for refusing to license its Macintosh software. Many observers believe that had Apple licensed the Macimtosh software, enabling other companies to "clone" its computers, a few years ago, the software might have created a more potent challenge to Microsoft's "Windowa", the dominant software standard in the PC arena.

Although Apple has yet to name any companies that bave agreed to license its software, there is widespread industry speculation that IBM might be a prime candidate in view of its acknowledged lack of software for PowerPC.

Others reportedly interested in licensing the Macintosh software include Olivetti of Italy and Fujitsu of Japan.

Canada loosens telephone regulations

By Bernard Simon in Toronto

Cable-TV operators and other newcomers will be free to enter Canada's local telephone market in competition with existing provincial monopolies, under a landmark ruling by the Canadian Radio-television and Telecommunications Commission (CRTC).

The knife will cut hoth ways, however, as the CRTC has also cleared the way for the powerful telephone companies, led by Bell Canada, to enter other telecommunications markets, either as carriers or content providers.

Although the CRTC has yet to consider whether to award hroadcast licences to the phone companies, it will allow them to take part in projects using fast-evolving, video-on-demand technology.

The CRTC said in a 165-page report, which was based on six weeks of public hearings, that it intends to place greater reliance on market forces.

It concluded that in an era when telecommunications services are limited "only by the rate of diffusion of new technology, access to capital and the imagination of users ... it is important ... that regulation encourage, rather than impede, the provision of efficient, innovative and affordable services."

To make local phone services more attractive to new entrants, the CRTC has agreed to allow the established phone companies to raise their local rates by C$2 a month each year for the next three years.

However, revennes generated hy these increases must be used to lower long-distance prices, especially for small businesses and private users.

The companies at present nse a large proportioo of long-distance revenues to subsidise local rates bnt their ability to continne doing so has been limited by competition in the long-distance market, which was opened to new entrants in 1992.

The CRTC will further ease regulatory barriers by replacing the existing rate-of-return criteria for phone charges with a system of price caps.

Tenneco goes on prowl for European acquisitions

By Laurie Morse in Chicago

Tenneco, the diversified Houstoo-based industrial company, is on the prowl for acquisitions in Europe, seeking to redeploy some of the $360m in cash it raised when it spun off 29 per cent of the J.I. Case Corporation in June. While the company is not naming any targets, "we're shooting to get something meaningful done by late Fall," said Mr Dana Mead, Tenneco's chairman.

The company is widely helieved to be looking for a deal worth $100m to $200m to bolster its husiness in original equipment automotive parts in Europe and supplement its significant European market for after-market components.

It is in the midst of one of the biggest corporate restructurings in US history and while this deal will not be the "defining purchase" that Wall Street analysts are clamouring for, it is important because it sets the tone for later, more significant acquisitions.

"We're being very careful, very systematic in how we go about this," says Mr Mead, "We want to be sure we do this one right, because what tends to happen is if you demonstrate you can make one good deal, other good deals will follow."

Mr Mead, who assumed Tenneco's chairmanship following the death of Mr Mike Walsh earlier this year, has become Tenneco's defining force. He directed the turnrouod in Case's operations last year which allowed Tenneco to spin off part of the farm and coostruction machinery subsidiary to the public this summer.

Its 1985 investment in Case was an error that took Tenneco oearly a decade to recover from. Now, with the Case chapter oearly behind it, Tenneco plans to reinvest in its three remaining core businesses: automotive parts, packaging, and natural gas.

Tenneco'a secood-quarter oet income was $171m, or 93 ceots per share, and the company is projected to earn $850m, or $4.60 per share, this year.

As it did with Case, Teoneco's new managemeot has improved tbe performances of its UK-based Albright and Wilson chemicals husiness and its Newport News Shipbuilding company, but is not planning any significant reinvestment in those divisions.

Mr John McGinty, a research analyst with CS First Boston, believes Tenneco will sell both businesses within three years, which, combined with the sale of the remaining portions of Case, would leave it with upwards of $3bn in cash to reinvest, probably in the automotive or packagiog industries.

"The hig issue right oow is what are they going to become?" says Mr McGinty. Mr Mead's answer is that Tenneco wants to become a world-class industrial growth company. That includes pursuing acquisitions in ioternational markets, which often represeot the highest growth potential.

Mr Mead says a major acquisition outside Tenneco's three main businesses sometime in the future isn't out of the question. "We've said all along that we're opportunistic," he notes, "I doo't want to preclude that, hut I don't think we'll do that right away."

Renault to sweeten staff share terms

By John Ridding in Paris

Renault employees are likely to be offered a discount of up to 20 per cent of the price of shares in the French state-owned antomobile group as part of its partial privatisation, Mr Alphandéry, economy minister said yesterday.

Under terms of the sale, Renault employees are due to be offered 10 per cent of January's shares when the government sells a stake of about 28 per cent in the group. Pricing Details have yet to be announced for the sale, expected to take place in November.

The offer of cheap shares to Renault employees will be accompanied by other incentives, including a delay in payment and the possibility of free shares if they hold their investment for at least three years, according to Mr Alphandéry.

The government and Renault's management see such incentives as a means of strengthening worker support for the privatisation. Some unions, particularly the communist-led Confédération Générale du Travail, are opposed to the sale. The CGT has called for a day of action to protest the operation tomorrow.

Hungary plans drugs group sale

By Virginia Marsh in Budapest

The Hungarian government is preparing to sell about 36 per cent of Richter Gedeon, the country's largest pharmaceuticals company, in which it has a stake of 87 per cent. It is expected to be one of the country's biggest privatisation deals this year.

In the first phase, the company will increase its capital by Ft4.4bn ($41m) to Ft17.6bn. Part of the issue will be sold via a private placement to international institutional investors by the end of this month, according to Creditanstalt Securities which, together with Schroder, the UK merchant bank, is advising on the privatisation. The balance will be sold through a domestic public offering scheduled for October, Creditanstalt said.

The company plans to seek listings on the Budapest and Vienna stock exchanges and possibly the London over-the-counter market. If floated, the company will be the largest on the Budapest exchange.

According to government figures, Richter Gedeon was one of Hungary's top five exporters in the first half of 1994. Under current regulations, the state holding company, AV Rt, must retain 50 per cent of the company plus one vote but Creditanstalt said the state was considering changing the rule to 25 per cent plus one vote.

Richter Gedeon, which was founded in 1901 and nationalised in 1948, had turnover of Ft11.2bn in the first half of 1994 with gross profit of more than Ft2bn. Exports accounted for US$67.3m of sales.

Foreign interest in the sale is expected to be strong. The pharmaceuticals sector is considered one of Hungary's most promising, and Chinoin and Egis, Hungary's second and third pharmaceutical companies, have already been privatised.

Chinoin is majority owned by Elf Sanofi, the French company, while the Enropean Bank for Reconstruction and Development took a 30 per cent stake in Egis last year.

Top 10 successful bids this year in healthcare-related companies.

Buyer	Target	Price	Comment
American Home Products(US)	American Cyanamid(US)	$9.7bn	One drug company buys another
Roche (Switzerland)	Syntex (US)	$5.3bn	One drug company buys another
Eli Lilly (US)	PCS (US)	$4bn	Drug company buys distributor
Sandoz (Switzerland)	Gerber (US)	$3.7bn	Drug company diversifies into foods
SmithKline Beecham (UK)	Sterling Health (US) (consumer drugs)	$2.9bn	SB boosts consumer drugs side/ Eastman-Kodak exits health
Akzo (Netherlands)	Nobel (Sweden)	$2.4bn	Chemicals companies merge
SmithKline Beecham (UK)	DPS (US)	$2.3bn	Drug company buys distributor
Sanofi (France)	Sterling Health (US) (prescription drugs)	$1.8bn	Elf Aquitaine unit expands/ Eastman Kodak exits health
Bayer (Germany)	Sterling Health (US) (part of US operation)	$1bn	Bayer reclaims US brand names/ SmithKline disposal
Ivax (US)	Zenith (US)	$600m	Generics manufacturers merge

Source: KPMG/FT Research

NEWS DIGEST

Revamp for Malaysian Airlines

Malaysia Airlines the national carrier, is undergoing what is described as the biggest revamp in the airline's its history as new shareholders take control, writes Kieran Cooke in Kuala Lumpur.

Mr Tajudin Ramli, the Malaysian eotrepreneur who recently took control of MAS through a highly leveraged M$1.79hn (US$700m) deal, announced a restructuring of management operations at the weekend, including the creation of both a chairman's office and a managing director's office. Mr Tajudin will be MAS chairman And Mr Wan Malek Ibrahim the new MAS managing director.

Mr Wan Malek is also the executive director of Malaysian Helicopter Services, the Tajudin controlled company which was behind the receot purchase of a 33 per cent stake in MAS from Bank Negara, the Malaysian ceutral bank.

This is the second big reorganisation at MAS within the past two years. In tbe year to March 31 1994, MAS had a pre tax of M$16m, a 90 per cent drop on the previous year.

Coles Myer seeks share repurchase

Shareholders in Coles Myer, one of Australia's higgest retailers, are today being asked to approve plans for the company to buy back a 21.45 per cent stake currently held by Kmart, of the US, writes Nikki Tait in Sydney.

Coles is proposing to pay significantly more than the current market price, but Mr Solomon Lew, chairman, said at the weekend that the parcel of shares was not available at a lower price.

In Sydney on Friday, Mr Lew told a business lunch that the company lost focus during the early-1990s and had been "plagued by corruption".

He also slammed previous management, sayiog it had become "too distant from the business", and had overlooked long-term etrategic planning. "Perhaps flush with its own success, management became too inward looking...it grew complacent, even smug."

Ciments Français cuts losses

Ciments Français, the French cemeot company, sharply reduced its losses in the first half of this year, cutting the net deficit to FFr96m ($18.1m) from FFr373m in the same period in 1993, writes John Ridding in Paris.

The group, which is a subsidiary of Italcementi of Italy, said the improved result, better economic conditions and its disposal of non-core assets should allow a break-even or close full-year result.

First-half sales rose to FFr6.62bn from FFr6.58bn, while operating profits jumped to FFr715m from FFr501m.

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Gerard Baker in Tokyo

Japan and US seek the right balance

Even as the US puts the finishing touches to its latest Caribbean adventure this week, it will take another step nearer the brink with a rather more powerful adversary.

No lives are at risk in the trade conflict between the US and Japan, but the implications for world currency markets are far-reaching.

The two countries have until September 30 before the US has to decide whether to impose sanctions against Japan. This week Mr Yohei Kono, the Japanese Foreign Minister, will meet President Clinton and Mr Mickey Kantor, US Trade Representative, to give new urgency to the framework talks.

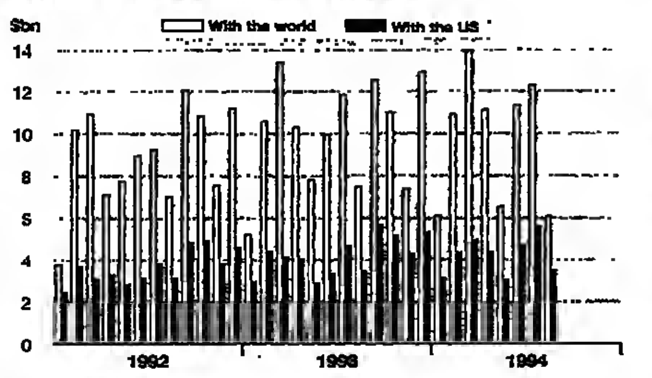
The markets will watch the meetings with keen interest. Past trade showdowns between the economic superpowers were fairly predictable affairs. The US would fulminate about Japan's enormous bilateral trade surplus and threaten retribution if serious action was not taken to redress it. At the last minute, Japan would usually cave in to one or two fairly meaningless demands and the crisis would be over. Meanwhile Japan's trade surplus would go on rising.

But that changed in February this year. In an uncharacteristically unsporting manner, Japan refused to play the game by the usual rules and would not agree to the US demands for quantitative criteria by which to judge progress in increasing market access in key areas – hence the renewed brinkmanship this week.

Another stalemate this week would have obvious consequences for currencies. The yen would stay punishingly high, or might even rise further as investors sensed a real trade war. But what would happen if the talks achieved some sort of compromise? Presumably the dollar would initially recover. But then what?

That still depends on what happens to the trade imbalance between the two countries. At first sight, that looks like a controversial remark. For the last year, so-called economic fundamentals such as trade flows, seem to have had little to do with currency movements. Japan's trade surplus has fallen in yen terms in six of the eight months of 1994, bringing the total decline for the year to more than 6 per cent. But in that same period, the yen has appreciated by more than 10 per cent against the dollar and more than 5 per cent on a trade-weighted basis.

Japan's visable trade balance



Source: Datastream

Though this seems to confirm one's worst suspicions concerning the capricious behaviour of financial markets, there is a rational explanation. Most past experience suggests that currencies do follow trade, but after a time lag. The last time the trade surplus peaked, in the middle of 1987, the yen continued to rise until early 1989. Sentiment eventually moved against the Japanese currency as the trade surplus declined by more than 30 per cent over four years.

The reason for the delay is the very understandable one that investors decide to wait before changing direction to see whether trade flows really have shifted for the foreseeable future. Currently investors are far from sure that the Japanese trade surplus is on a firmly downward trend, and with good reason.

Total return in local currency to 15/9/94

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.09	0.04	0.09	0.10	0.16	0.09
Month	0.39	0.18	0.41	0.47	0.80	0.43
Year	2.59	2.59	5.81	6.19	8.25	5.78
Bonds 3-5 year						
Week	-0.08	0.28	-0.32	-0.23	0.64	-0.67
Month	0.26	0.59	-0.45	-0.30	1.01	0.23
Year	-1.42	2.25	2.40	0.57	-1.28	0.89
Bonds 7-10 year						
Week	-0.25	0.29	-0.21	-0.32	1.06	-1.25
Month	-0.45	1.21	-1.20	-1.68	0.74	-0.32
Year	-5.34	1.90	-1.98	-4.94	-4.46	-2.38
Equities						
Week	0.4	0.3	-2.5	-0.3	0.3	-2.2
Month	3.0	-3.9	-0.8	-1.0	4.3	-0.9
Year	5.6	-4.3	12.7	0.6	9.5	8.3

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co. and NatWest Securities Limited.

A popular argument, that has the same specious attraction for some economists that historical materialism once had for others, is that there is something inevitable about a falling Japanese trade surplus. The restructuring of Japanese industry, deregulation and the "hollowing out" caused by the high yen are changing the underlying nature of the Japanese economy and will eventually cut internal and external financial surpluses. In such circumstances the yen should head back down towards the Y110-Y120 to the dollar range, or even lower.

This sanguine outlook may be justified by a very long-term view, but in the more immediate future (the next year or two being more meaningful for most investors) the outcome is far from assured.

The strong recovery in the US and the continuing rapid growth in demand in Asia are outweighing the effects of the stronger yen. Thanks to rapid demand growth and higher inflation in those regions, Japanese companies are able to offset the higher prices caused by the stronger currency by pushing up sales.

The country's trade surplus with the US has risen for six straight months, and with Asia for three consecutive months. Exports to the US were 13 per cent higher in the first eight months of the year than in the same period of last year.

The one principal market that has been weak is Europe – exports have fallen for 22 consecutive months. But, as the European economies recover, that decline is bottoming out.

Some of the extra demand abroad will, of course, be met by more overseas production. But Japanese companies at home still have enormous overcapacity and it is inconceivable that they will not continue to expand exports as world demand strengthens further.

That leaves imports. If they rise at a much faster rate than exports then the surplus will of course fall. In the first eight months of the year they did indeed outstrip export growth. But that increase was the result, not so much of the opening up of the Japanese markets to greater import penetration as to the yen's sharp rise, which cut the cost of imports. In other words, a Y100 to the dollar exchange rate only just began to cut the surplus. As exporters continue to benefit from faster growth, the yen will need to rise further, or at least stay at its current level to make serious inroads into the trade surplus.

Put another way, if the slight decline in the trade surplus this year were to lead investors to drop yen for dollars, pushing the yen towards the Y120 to the dollar level, the increase in imports would be halted abruptly, the surplus would rise again and the yen would climb back up.

Until there is much clearer evidence of a decisive shift in trade imbalances – and that will not come about until there is a real change in the way Japan's economy works – the dollar looks only marginally more attractive than the Haitian goude.

Kenneth Gooding

End to tin quotas rumoured

Rumours have been emerging from Bangkok, where the Association of Tin Producing Countries is holding a ministerial meeting today and tomorrow, that the producers are ready to abandon the export quota system which they had hoped would reduce global stocks and boost prices.

If this happens, there might be a short-term negative reaction on the London Metal Exchange, according to Mr Fidelis Madavo, tin specialist at the CRU International consultancy group, but the price can be expected to stabilise quickly.

The tin market has been in turmoil since the sudden collapse in 1985 of a price support scheme operated by the producers' International Tin Council, which was backed by various governments. The huge stocks accumulated by the ITC – more than 40,000 tonnes – have been a malign influence on prices ever since.

Tin had already been struggling in the early 1980s because a big chunk of its market – for beverage cans – was being won away by aluminium producers. Nor have the metal's other main uses, such as in solders, been particularly buoyant.

The quota scheme operated by the Association of Tin Producing Countries has not worked well. Unexpected and unrestrained exports from Brazil – not a member of the organisation – caused havoc in the early years. Then China, the world's biggest producer, pumped large quantities of the metal into export markets.

In April China finally agreed to join the ATPC. But it has flagrantly been exceeding its 1994 export quota of 20,000 tonnes. The official China Daily reported at the beginning of August that in the first half of 1994 alone China exported 24,700 tonnes, up 33 per cent on the same months of 1993.

There have been suggestions that Brazil, the only big producer still outside the ATPC might join next year. But some analysts suggest that, given China's recent performance, rather than bringing Brazil into the fold, the ATPC should be folded.

Economics Notebook

Reassurance for borrowers

The decision by Mr Kenneth Clarke, the chancellor, to raise bank base rates by half a percentage point last week has naturally prompted fears of further interest rate increases.

Memories of the savage doubling of UK base rates to 15 per cent in the 18 months to October 1989 are still relatively fresh. In the US, the decision of Mr Alan Greenspan, chairman of the Federal Reserve Board, to lift short-term interest rates by a quarter point in February has been followed by four other monetary tightenings.

But hopes are high in Whitehall and in the City that UK rates are not heading back to the stratospheric levels of the late 1980s. Borrowers can take comfort from the nature of Britain's recovery, now in its tenth quarter.

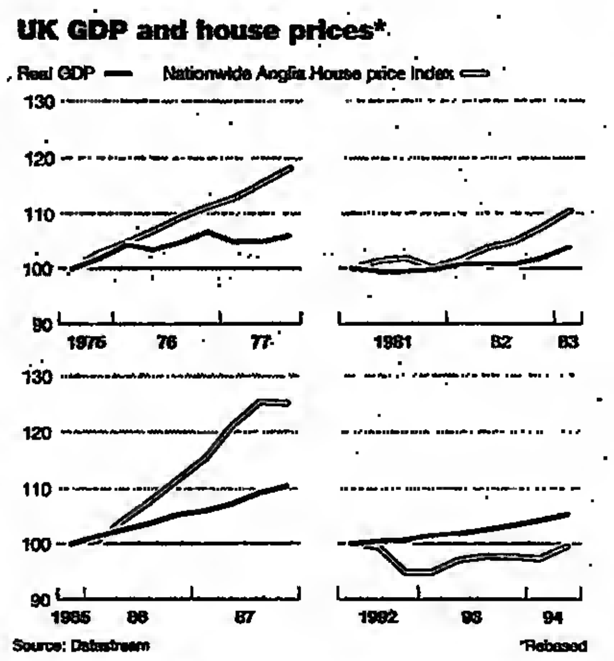
The accompanying chart highlights one of the big differences between this recovery and the previous cyclical upturns of the past 20 years. Past recoveries were accompanied by house price inflation. House prices today, according to the Nationwide Anglia index used in the chart, are still lower than when the recovery began in the second quarter of 1992.

All recoveries are unique and the four featured in the chart are no exception to this rule.

Inflation was high when the two earlier recoveries began: at about 25 per cent in the third quarter of 1975 and at just under 13 per cent in the first quarter of 1981. Higher prices overall sharply reduced, or, in the case of the 1975 recovery, overwhelmed the wealth creating effects of higher house prices.

That was not the case with the recovery that followed the "growth pause" of 1985. Annual retail price inflation was comparatively low by UK standards, at about 5.5 per cent. It declined to 3.4 per cent by the summer of 1986 and was to stay below 5 per cent until mid-1988, just before the economy hit its cyclical peak.

UK GDP and house prices*



Source: Datastream *Rebased

However, house prices were motoring ahead and rose by an average 77 per cent in the four years to their peak in late 1989. The strong real increase in house prices generated a bubble economy. Mortgage lending surged. So did equity withdrawal as people traded up the housing market and took some of the proceeds as cash. Consumers felt more confident. Net savings slumped. The result was the late 1980s consumer boom.

Headline retail inflation was in double digits by the late summer of 1990. It proved especially difficult to root out because the house price boom had developed its own momentum. Moreover, inflation was boosted by the very interest rate increases that were intended to control it, because mortgage interest payments are included in the retail prices index. Base rates, once put at 15 per cent, stayed at that level for a year.

Housing has so far played no part in the current recovery. Not only have house prices been little changed over the past year, but turnover is 7 per cent below its peak. Although estate agents and building societies keep reminding us that houses are currently very affordable, there are good reasons not to expect a return to boom.

The bust in the early 1990s has created a generation of young potential house buyers who have witnessed the miseries caused by mortgage rates doubling, negative equity and homes being repossessed.

Government tax relief on mortgage interest payments has been much reduced and is set to fall further.

The shift in patterns of employment to more part-time working and the reduced security offered to many in middle management should also dampen demand for houses. The upshot, Bank of England and Treasury officials believe, could be a climate in which people buy houses to live in rather than as an investment.

Britain's housing market is still very different from that in most other European countries. The owner occupier ratio is high – about two thirds of households own their own home. House purchase continues mainly to be financed by mortgages linked to potentially volatile short-term interest rates. This is partly because demand for fixed-rate mortgages, which were increasingly popular last year, was halted by the rise of long-term interest rates in the spring. There is also the sheer importance of housing as a store of wealth: nearly 40 per cent of gross personal sector wealth was tied up in residential property at the end of 1992.

But there are hopes that the UK economy may be becoming more akin to those on the continent. If so, interest rates will not have to be raised so savagely in this cycle to curb inflation, because house prices will be less of an engine of inflation.

Nobody is ruling out the need for sudden interest rate increases to deal with unexpected shocks. But it may be a hopeful sign that Mr Michael Saunders of Salomon Brothers, one of the few City economists to forecast last week's rate rise, does not expect base rates to rise much above 7 per cent in the foreseeable future. That would leave them lower than at any time in the 1980s.

Peter Norman

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY SEPTEMBER 15 1994 US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY SEPTEMBER 15 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	175.13	5.0	163.82	108.44	140.00	156.58	-4.2	3.54	174.06	165.07	109.36	139.96	155.77	189.15	139.73	139.73
Austria (17)	191.17	3.3	178.92	119.45	152.81	152.84	-8.2	1.04	192.45	182.46	120.90	154.75	154.93	136.99	184.64	171.16
Belgium (37)	171.94	5.7	160.93	107.44	137.45	134.18	-7.5	4.12	170.82	161.98	107.31	137.36	134.17	177.04	143.62	151.89
Canada (104)	139.28	2.6	130.34	87.02	111.32	136.18	4.6	2.48	137.84	130.71	86.59	110.84	135.11	145.31	120.54	124.30
Denmark (33)	257.11	4.0	240.65	160.96	205.53	212.05	-7.2	1.40	255.03	241.84	160.21	205.07	211.96	275.79	223.94	231.40
Finland (24)	179.48	45.7	167.99	112.15	143.47	185.46	23.6	0.78	175.99	166.88	110.55	141.51	184.00	181.70	104.28	106.84
France (97)	171.14	-2.7	160.18	106.94	136.80	141.10	-13.4	3.12	173.96	164.96	109.29	139.90	144.43	185.37	159.34	167.61
Germany (56)	146.21	4.3	136.85	91.37	116.88	116.88	-7.7	1.76	145.09	137.59	91.15	118.67	118.87	150.40	124.39	125.88
Hong Kong (56)	409.61	-16.2	383.57	256.09	327.60	406.55	-16.2	3.01	405.52	384.55	254.75	326.09	402.29	506.56	292.08	293.22
Ireland (14)	213.29	15.2	199.63	133.28	170.50	192.78	4.1	3.31	211.54	200.80	132.89	170.11	193.16	216.80	181.54	186.87
Italy (59)	83.18	21.5	77.86	51.98	66.50	96.59	10.2	1.61	81.73	77.51	51.35	65.72	96.53	97.78	57.88	74.50
Japan (469)	159.43	22.5	149.22	99.62	127.45	99.62	8.5	0.77	169.35	151.11	100.11	128.14	100.11	170.10	124.54	157.42
Malaysia (97)	589.35	-0.4	551.81	368.27	471.12	579.97	-6.5	1.44	582.84	552.69	366.14	468.68	573.68	621.63	392.00	397.53
Mexico (18)	2336.46	-2.1	2186.62	1459.99	1867.71	9879.14	7.0	1.16	2280.59	2162.58	1432.64	1833.83	8506.96	2647.06	1615.11	1689.20
Netherland (27)	214.63	7.8	200.89	134.12	171.57	168.91	-4.3	3.39	215.07	203.95	135.11	172.95	170.36	218.18	180.25	183.24
New Zealand (14)	73.83	8.7	69.10	46.13	59.02	64.86	0.7	3.68	72.86	69.11	45.78	58.80	64.11	77.59	59.22	60.93
Norway (23)	198.00	10.2	185.32	123.73	158.28	161.26	-1.1	1.62	199.60	189.28	125.39	160.50	163.98	211.74	165.52	173.37
Singapore (44)	369.03	0.4	345.39	230.60	295.00	252.20	-7.5	1.67	363.72	344.90	228.49	292.48	249.46	378.92	285.31	289.05
South Africa (59)	310.45	16.2	290.57	193.99	248.17	298.90	19.3	2.14	308.71	292.74	193.93	248.24	298.25	314.24	184.39	187.78
Spain (42)	141.45	1.5	132.39	88.39	113.07	136.99	-6.3	4.21	142.43	135.07	89.48	114.53	138.53	155.79	128.88	137.44
Sweden (36)	229.49	16.9	214.78	143.40	183.45	252.28	4.1	1.56	229.27	217.41	144.03	184.36	254.16	231.35	175.83	165.33
Switzerland (47)	166.77	4.1	156.09	104.21	133.31	131.93	-10.5	1.84	197.21	158.56	105.04	134.46	133.11	178.56	138.89	138.91
United Kingdom (204)	198.08	-3.4	185.39	123.78	158.35	185.39	-9.8	4.07	198.41	188.14	124.64	159.55	188.14	214.96	181.11	187.57
USA (517)	192.14	1.2	179.83	120.06	153.59	192.14	1.2	2.82	193.65	183.63	121.85	155.72	193.65	196.04	178.95	197.79
EUROPE (718)	172.97	2.7	161.89	108.09	138.27	152.07	-7.9	3.05	173.12	164.15	108.75	139.21	153.58	178.58	153.98	158.64
Nordic (116)	222.15	17.2	207.95	138.83	177.61	209.49	3.8	1.41	221.00	209.59	138.85	177.73	210.23	222.18	178.19	178.61
Pacific Basin (748)	170.09	17.2	159.18	106.28	135.97	111.14	5.1	1.08	169.74	160.96	106.63	136.49	111.42	178.85	134.79	181.33
Euro-Pacific (1466)	171.18	10.4	160.22	106.96	136.84	127.48	-0.8	1.92	171.04	162.19	107.45	137.54	128.18	175.14	143.88	159.29
North America (621)	188.85	1.3	176.78	118.01	150.96	188.26	1.3	2.81	190.19	180.35	119.47	152.93	189.62	192.73	175.67	183.87
Europe Ex. UK (514)	155.59	5.5	145.63	97.23	124.38	132.11	-6.6	2.45	155.65	147.60	87.78	125.15	133.00	158.12	134.67	137.06
Pacific Ex. Japan (279)	272.26	-5.1	254.82	170.13	217.64	241.77	-9.5	2.69	268.56	255.62	169.34	218.76	239.54	296.21	200.13	200.13
World Ex. US (1647)	173.14	10.1	162.05	108.18	138.40	131.45	-0.2	1.93	172.89	163.94	108.81	139.02	132.08	178.65	145.58	159.39
World Ex. UK (1960)	176.49	7.7	165.18	110.28	141.06	146.57	1.4	2.05	176.82	167.87	111.06	142.18	147.30	178.59	165.96	166.90
World Ex. So. Af. (2105)	177.58	8.7	166.18	110.96	141.94	149.03	0.0	2.25	177.91	168.70	111.78	143.06	149.92	180.03	158.64	187.81
World Ex. Japan (1695)	190.45	1.4	178.25	119.01	152.24	180.02	-2.6	2.85	190.98	161.10	119.67	153.57	181.17	195.20	174.04	175.37
The World Index (2164)	178.40	5.8	166.98	111.48	142.61	150.13	0.2	2.25	178.73	169.49	112.28	143.72	151.02	180.80	158.85	167.82

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 133.22 (Local).

EMERGING MARKETS: This Week

The Emerging Investor / John Burton

Foreign investors watch Seoul surge

Foreign investors wanting to enter the Seoul bourse could only watch in frustration last week as the general share index reached its historical high of 1023.61 on Saturday.

A 10 per cent ceiling on foreign stock investments in listed companies has largely kept new overseas investors out of the market since the quota was quickly filled for the most attractive shares after the market was opened to foreigners in January 1992.

Ironically, the expectation that the government would soon raise the foreign ownership limit to 12 per cent has caused the recent surge in share prices as domestic investors bought blue-chip stocks in anticipation that they would rise further once the ceiling is raised and more foreign capital flows into the market.

There is little doubt that there is plenty of pent-up foreign capital waiting to be released into the Korean market. The Seoul bourse "has great potential because it is undervalued. Korea didn't go ballistic as other Asian markets did last year," said Mr Gareth Evans, branch manager for Barings Securities in Seoul.

The country's economic fundamentals are also strong, with GNP expected to grow by at least 8 per cent this year because of an export boom aided by a weak Korean currency. Companies reported their best first-half earnings in seven years, with a 70.6 per cent rise in aggregate net profits for listed companies. Analysts predict that the share index could reach 1,100 by the end of the year.

But there are doubts over whether the government will adhere to its promise to raise the limit to an expected 12 per cent by December and 15 per cent by next June.

The government is worried that more foreign capital inflows will increase inflationary pressure when inflation is already expected to rise above the government's target of 6 per cent for this year. In addition, Korean companies fear that a new influx of foreign capital will cause an appreciation of the Korean won, which would dampen exports.

Raising the foreign ownership ceiling would also contradict the government's current policy of preventing the stock market from overheating. Officials have repeatedly tried to cool down the market this year because of concerns that domestic investors would eventually cash in on their gains and then spend the money, which would contribute to inflation.

During the past week, the government tried to intervene in the market and depress prices by ordering the country's three investment trust companies to sell shares. But this strategy is proving futile since these institutional funds "have less and less of the blue-chip stocks that are leading the rally," said Mr Bruno Leroy, head of Société Générale Strauss Turnbull in Seoul.

Ten best performing stocks				
Stock	Country	Friday 16/9/94	Week on week change $	%
Compania Suzano (Pfd)	Brazil	7.3598	1.6127	28.06
Cherat Cement Co. Ltd.	Pakistan	4.4090	0.7512	20.54
Otosan	Turkey	0.3898	0.0658	20.31
Muslim Commercial Bank	Pakistan	3.4619	0.5522	19.10
Cementos Lima	Peru	1.7841	0.2678	17.66
Kepco	S.Korea	44.7332	5.7503	14.75
La Fabril	Peru	1.7306	0.2010	13.14
CSN	Brazil	0.0450	0.0050	12.44
Buenaventura	Peru	3.7467	0.4045	12.10
Banco De Credito	Peru	1.8912	0.1891	11.11

Source: Baring Securities

Another factor that has supported scepticism about the government's promise about a foreign limit increase is that the pledge was made in June by Mr Hong Hae-hyong, the finance minister, when the market was falling as foreign investors pulled out because of the tensions over the North Korean nuclear dispute.

The government has often floated proposals about a rise in the foreign ceiling to bolster market confidence during weak periods, but then it has fallen silent after share prices gained strength.

Most foreign brokers in Seoul, however, believe that the government this time will stick to its commitment and proceed with a rise in the limit.

"Time is running short for South Korea if it wants to meet its deadline and join the OECD by 1996," explained Mr Leroy. "Membership conditions are likely to include increasing the foreign ownership ceiling to 25 per cent."

However, it is not ruled out that the government may try to attach other conditions to control foreign investment inflows if the ceiling is raised.

One possibility is to increase advanced deposit requirements for foreign investors to 40 per cent of their buy orders from the current level of 20 per cent.

Foreign securities houses have complained about the measure, introduced in January as part of the government's market cooling efforts, because it has created legal problems for US investors, who are barred from making deposits under SEC rules, and delayed carrying out buy orders for other foreign investors.

Moreover, the government has suggested that it may set a monetary ceiling on foreign capital inflow for stock investments that could prevent the ceiling increase from being completely filled.

There are also doubts as to whether the government will accept the recommendations of an advisory panel on financial liberalisation, which suggested that the foreign ownership ceiling be abolished by 1999. Korea has been extremely reluctant to allow the foreign takeover of its companies and this attitude is unlikely to change.

Meanwhile, foreign investors eager to acquire Korean blue-chip stocks trade on the informal over the counter market, where they must pay premiums ranging from 10 per cent up to 75 per cent.

Another means of acquiring Korean securities is through the overseas issuance of equity-linked convertible bonds. But the ministry of finance has banned Korean corporations from issuing overseas bonds during the fourth quarter because the $1.25bn limit set by the government for such issues this year has already been reached.

An exception, to the ban, however, was the government's decision on Friday to allow Pohang Iron and Steel and Korea Electric Power to become the first Korean companies to be listed on New York Stock Exchange as of next month.

Nine other Korean companies believed to be qualified for the New York stock exchange could be listed as early as next year.

■ Strategy

Baring Securities has forecast that the remainder of 1994 and 1995 should see an upturn in emerging markets with institutional funds being switched from south-east Asia to Latin America, *Reuter reports.*

Barings remarked that the main propellant of emerging markets strategy was the US economy. If US growth was slow bonds were likely to rally, providing an incentive to invest in south-east Asia. "But with a strong US economy Latin America historically performs better, pushed along by pressure on commodity prices," said Barings. A mediocre performance from the US economy, however, should drive funds to Japan and north-east Asia.

■ Pakistan

The international share offering by Pakistan Telecommunications, which closed on Thursday, has been two times oversubscribed, Robert Fleming, the global co-ordinator said.

■ Lima

The Peru government has set an October 27 auction of 60 per cent of shares in the state-owned electrical power generation unit Edegel.

● The Lima stock exchange and its counterpart in Athens have signed a mutual co-operation agreement. The accord is a step before inter-market trading could begin through the Iberoamerican Elec tronic Exchange.

News round-up

■ Jakarta

Indonesia's state-owned international telecommunications company, PT Indosat, will offer 35 per cent of its shares to the public in a dual listing in Jakarta and New York next month.

Indosat will list 25 per cent of its shares on the New York Stock Exchange on October 18, and the remaining 10 per cent on the Jakarta Stock Exchange and the Surabaya Stock Exchange on October 19.

The offering is scheduled for October 4 to 11.

■ Fund launches

Templeton Emerging Markets of the US has launched a $120m Vietnam Opportunities Fund on the New York Stock Exchange. Underwriters include Merrill Lynch, Kidder Peabody and Nomura Securities.

Hambro Pacific Fund Management is launching the Smaller Asian Companies Trust on the London Stock Exchange on Wednesday, with dealings on October 7. The trust will invest predominantly in companies with a market capitalisation of less than $500m.

■ Taipei

Foreign institutional investors remitted about $44m into Taiwan for stock investment in the week ending last Wednesday, *AP-DJ reports.*

The Securities and Exchange Commission said that with the latest inflow of foreign capital, foreign investors had a total of $4.64bn in the country since Taiwan opened its stock market to foreign institutions for direct investment in early 1991.

This compared with the ceiling of $7.5bn set by the government.

■ Nairobi

The Kenyan administration has said that Kenya Airways, the national carrier, would be privatised this year. No further details were given.

■ Brazil

Volume traded on the São Paulo stock exchange in August was a record $11.3bn, a daily average of $492.7m, the exchange said.

● Emerging markets coverage appears daily on the World Stock Markets page

CURRENCIES Philip Gawith

Concern over dollar surfaces again

Markets will this week continue their long running dollar vigil, but this time it will be politics as well as economics occupying their thoughts.

The latest round of the US-Japan trade talks, and the Haiti imbroglio, are coming to a head at the same time. Both hold within them the potential to cause a further sell-off in the dollar.

Some observers fear that Haiti, in particular, could do for president Clinton what Iran did for Mr Jimmy Carter. Limited progress with Japan ahead of the September 30 deadline for sanctions would also hurt the dollar.

There are few important statistics to focus on, though the July trade figures on Tuesday could unsettle the dollar. Friday's strong capacity utilisation figures, however, have only aggravated market fears about inflation, and speculation is sure to rise about the possibility of a further monetary tightening at the September 27 Federal Open Market Committee meeting.

One factor favouring the dollar is that the market has shown much less inclination to sell it in recent weeks.

The dollar will also draw comfort from the relative weakness of the D-Mark over the past week. Analysts expect investors to continue to lighten their D-Mark holdings ahead of the October 16 national elections. This week the focus will be on Sunday's election in Bavaria.

The key concern will be the performance of Chancellor Kohl's alliance partner, the FDP. If it looks like it might fail to hurdle the 5 per cent barrier to Bundestag representation, further D-Mark sales can be expected.

The latest German M3 figure is also due this week. A good outcome could allow for a further, probably final, cut in interest rates. This could cause further D-Mark weakness.

Three of the principal beneficiaries of D-Mark weakness last week were sterling, the Italian lira and the Swiss franc. The fortunes of the lira are likely to turn largely on the budget proposals which are expected soon. So too the Spanish peseta; budget details are expected on Friday.

For sterling the outlook is brighter. Not only are the D-Mark and dollar both under pressure, but there is a case that last week's pre-emptive rise in interest rates has changed the psychology of the market, dramatically improving sterling's prospects.

Also in the spotlight will be the Swedish krona following the weekend poll. Markets will be judging whether the new government has adequate resolve to address the country's fiscal problems.

Baring Securities emerging markets indices

Index	16/9/94	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (288)	190.22	+2.07	+1.10	+14.01	+7.95	+21.81	+12.95
Latin America							
Argentina (20)	114.98	-1.03	-0.88	+5.30	+4.83	-0.40	-0.35
Brazil (22)	246.78	+4.06	+1.67	+36.49	+17.35	+107.13	+78.71
Chile (12)	199.82	+1.07	+0.54	+12.34	+6.58	+52.28	+35.43
Mexico (26)	158.81	+2.73	+1.75	+7.04	+4.64	-2.46	-1.52
Peru(16)	784.72	+33.28	+4.43	+61.71	+11.62	+208.53	36.22
Latin America (96)	180.58	+2.34	+1.31	+15.25	+8.22	+31.43	+21.00
Europe							
Greece (13)	85.87	+1.00	+1.18	-4.72	-5.21	+2.78	+3.35
Portugal (16)	121.51	-3.97	-3.16	+0.80	+0.66	+9.39	+8.37
Turkey (20)	75.88	-4.18	-5.23	-17.26	-18.53	-85.83	-53.08
Europe (49)	99.72	-2.28	-2.24	-4.68	-4.49	-12.51	-11.15
Asia							
Indonesia (22)	160.85	-1.87	-1.21	+12.62	+8.52	-10.19	-5.95
Korea (23)	157.54	+6.42	+4.25	+25.70	+19.50	+47.83	+43.60
Malaysia (23)	251.80	+0.43	+0.17	+16.62	+7.07	-1.25	-0.49
Pakistan (10)	118.85	+5.53	+4.97	+6.13	+5.53	+5.16	+4.62
Phillippines (11)	290.29	+1.01	+0.35	-12.11	-4.00	-32.19	-9.98
Thailand (24)	274.79	+5.12	+1.90	+18.11	+8.23	+11.24	+4.26
Taiwan (30)	180.94	+2.89	+1.62	+16.58	+10.09	+27.23	+17.71
Asia (143)	233.87	+2.75	+1.18	+16.73	+7.71	+12.26	+5.54

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, September 16, 1994 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	4074.20	2572.1	1672.77	2601.99
Albania	(Lek)	156.700	98.9267	64.3373	100.077
Algeria	(Dinar)	60.7768	38.369	24.9534	38.813
Andorra	(Fr Fr)	8.3258	5.2561	3.4183	5.3172
	(Sp Peseta)	202.309	127.72	83.0633	129.206
Angola	(New Kwanza)	217448.3	137279	89279.9	138874
Antigua	(E Car $)	4.2309	2.671	1.7371	2.702
Argentina	(Peso)	1.5833	0.9995	0.65	1.0111
Aruba	(Florin)	2.8049	1.7707	1.1516	1.7913
Australia	(Aus $)	2.1292	1.3441	0.8741	1.3598
Austria	(Schilling)	17.1619	10.8345	7.0462	10.9604
Azores	(Port Escudo)	248.015	156.575	101.829	158.395
Bahamas	(Bahama $)	1.5840	1	0.6503	1.0116
Bahrain	(Dinar)	0.5971	0.3769	0.2451	0.3813
Balearic Is	(Sp Peseta)	202.309	127.72	83.0633	129.205
Bangladesh	(Taka)	62.5881	38.5	25.6088	39.8581
Barbados	(Barb $)	3.1617	1.9997	1.294	2.0128
Belgium	(Belg Fr)	58.1178	31.34	20.5771	32.0077
Belize	(B $)	3.1340	1.9785	1.2867	2.0016
Benin	(CFA Fr)	832.580	525.618	341.838	531.726
Bermuda	(Bermudian $)	1.5840	1	0.6503	1.0116
Bhutan	(Ngultrum)	49.6661	31.3667	20.4007	31.7333
Bolivia	(Boliviano)	7.3973	4.67	3.0371	4.7242
Botswana	(Pula)	4.3002	2.7165	1.768	2.7501
Brazil	(Real)	1.3569	0.8569	0.5567	0.8658
Brunei	(Brunei $)	2.3491	1.483	0.9644	1.5002
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	15.1999	9.5958	6.2407	9.7074
Germany	(D-Mark)	2.4356	1.5376	1	1.5554
Ghana	(Cedi)	1558.03	982.342	638.868	993.78
Gibraltar	(Gib £)	1.00	0.6313	0.4105	0.6386
Greece	(Drachma)	370.735	234.05	152.213	236.77
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	48.5011	30.6193	19.8134	30.9752
Panama	(Balboa)	1.5840	1	0.6503	1.0116
Papua New Guinea	(Kina)	1.4573	0.92	0.5983	0.9307
Paraguay	(Guarani)	2996.88	1891.98	1230.45	1913.97
Peru	(New Sol)	3.5513	2.2419	1.458	2.268
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WORLD BOND MARKETS: This Week

NEW YORK — Richard Tomkins

Fear of inflation continues to grip the US credit markets. At the end of a jittery week, bond prices plummeted on Friday after the Federal Reserve reported bigger than expected increases to August industrial production and capacity utilisation. The benchmark 30-year long bond sank by 1⅜ to 96⅜, lifting its yield by 12 basis points to nearly 7.8 per cent – the highest this year.

Most analysts cling to the belief that the Fed will hold off until November before contemplating another rise to short-term interest rates, but each time another bout of bad news like Friday's hits the market, investors turn their thoughts to the possibility that the Fed could move before then – perhaps as early as its September 27 meeting.

Fortunately, perhaps, the next few days may be relatively quiet in this respect, since the economic reports due to be published are less closely watched for signs of incipient inflation than last week's.

On Tuesday, figures for July's trade deficit are expected to show little change from June's $9.4bn; on Wednesday, figures for August housing starts are expected to have slipped a little to an annual rate of 1.4m; and on Thursday, the federal government is expected to report a budget deficit of $24bn for August, putting it on track for a deficit of less than $200bn for the year – the lowest since 1989.

LONDON — Motoko Rich

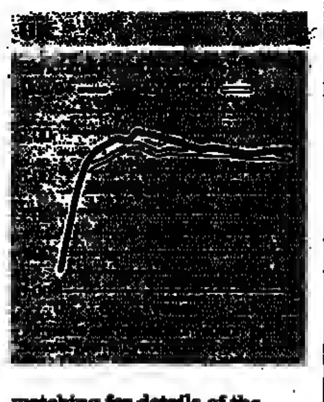
After a raft of UK economic data inspired a volatile ride for gilts last week, the market will be relatively quiet this week as significant domestic statistics are in short supply.

Attention will be focused instead on activities and sentiment abroad. Germany's influence, which has been muted during the past week because of UK data, will return to the fore as markets look to the German M3 money supply data, expected as early as today, and definitely this week.

Over the past three months, the headline growth rate of M3 has fallen and the markets are now expecting a small month-on-month rise, which would continue to bring down the annual rate to about 8.8 per cent, still above the Bundesbank's 4.0 to 6.0 per cent target corridor.

Such news could lower European bond yields, which would have a knock-on effect on the gilt market.

The markets will also be



watching for details of the September 28 gilt auction, which will emerge on Tuesday. The announcement on Friday suggested a maturity between 2004 and 2006, and Mr Andrew Roberts, economist at UBS, said he believed the auction will be the new 10-year benchmark. He anticipates an 8.5 per cent coupon.

In the UK, markets are likely to focus on the CBI manufacturing trends survey for signs of an upturn.

FRANKFURT — Andrew Fisher

The bond market is no place for the nervous. Traders have been so uncertain about interest rate trends in Germany that yields have had no place to go but up.

The average yield on 10-year bunds exceeded 7.5 per cent last week; that on all quoted government securities closed at a year's high of 7.38 per cent.

However, the Bundesbank has decided enough is enough. It made clear last week that its key rates would be put on hold – Thursday's council meeting left them untouched – and that the next move was as likely to be up as down.

Traders took remarks by Mr Johann Wilhelm Gaddum, Bundesbank deputy president, to mean that the discount and Lombard rates, last cut by half a point to 4.5 and 9 per cent in May, would be maintained beyond the German general election in October.

The same applies to

the securities repurchase (repo) rates, now 4.85 per cent.

Some economists expect no change until well into 1995, in view of the economy's strength and the still high money supply growth – the August figure is due to be published this week.

Inflation is also being closely watched; the Bundesbank will not be happy until the rate falls nearer its goal of 2 per cent.

TOKYO — Emiko Terazono

Although profit-taking ahead of the September interim book closing by investors looking to boost their midterm earnings will weigh on bond prices this week, the effects are likely to be minimal since a sluggish stock market, low short-term rates and a firm yen are expected to support confidence.

A weak stock market has always been good news for bonds. Fears of over-supply on the stock market, which hit prices last week, are expected to linger over the next month. Investors are worried that a spate of equity-linked financing issues will affect liquidity. Mitsubishi Heavy Industries, which was planning to offer a large convertible bond issue next month, is expected to postpone the deal.

To prevent a further fall in share prices, the Bank of Japan is likely to maintain an easy stance on the short-term money markets. Traders expect the overnight call rate to remain around 2.1 per cent.

Bond investors are also

expected to focus on the US-Japan bilateral framework talks on trade. Government comments about the talks are likely to increase ahead of the agreement deadline at the end of the month, which will affect currency movements. Any negative news on trade will support the yen, which in turn will help bond prices.

Meanwhile, activity may increase, as trading for October settlement starts tomorrow.

Capital & Credit / Martin Brice

Clarke catches gilts market on the hop

The decision by the UK chancellor of the exchequer, Mr Kenneth Clarke, to raise base rates on Monday by half a point to 5.75 per cent caught many on the hop.

The short sterling futures market had already discounted an interest rate rise but dealers were wrong-footed when it came the week after Mr Clarke's meeting with Mr Eddie George, governor of the Bank of England.

The rise – the first for almost five years – has fuelled the concern about the pace of future interest rate increases and their impact on gilts.

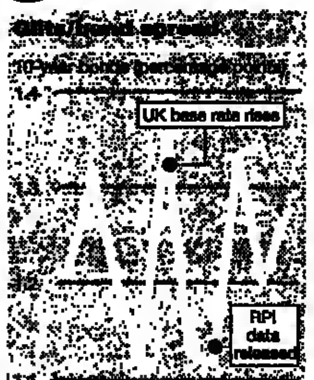
A central plank of the gilts market's performance is likely to be the credibility of the government's anti-inflation policy, which took a dent soon after the base rate increase. When base rates rose on Monday morning, gilts responded positively, rising almost a point at the long end, causing the yield spread against German bunds to tighten.

The market's enthusiasm was due to the belief – fuelled by Mr Clarke's statements at the time – that he was moving ahead of events, rather than simply responding to inflation already seen in the economy.

One analyst said on the day: "It is the first time in more than 20 years that I have seen the government acting ahead of a crisis – it has taken the long view. I have never seen it before."

However, the market was soon to change its mind. Two days later the long end of the market fell by more than a point on the news that Mr Clarke already had a rough idea of the Retail Price Index figures when he increased base rates on Monday. The figures – not published until Wednesday morning – showed a higher than expected rise of 2.4 per cent in the year to August.

Confidence in the government's pre-emptive anti-inflationary stance took a knock: some traders felt Mr Clarke may have been continuing the long tradition of UK chancellors of reacting to rising inflation too late. Gilts, also wounded by the RPI data, fell more than a point on the day, under-performing the bund market.



However, some analysts felt this was an over-reaction: Mr Nigel Richardson, head of bond research at Yamaichi, said: "Really there is no significant inflation problem, so the increase is still pre-emptive."

This debate over inflationary pressures has led economists to divide into two broad camps: those who think that one-year interest rates of 7 per cent accurately predict base rates in a year's time, and those who feel the economy might become strong enough to force the chancellor to take rates higher to squeeze inflation.

Publication of the minutes of the monthly meeting between Mr Clarke and Eddie George makes the process more transparent, pointed out Mr Robert Thomas at NatWest Markets.

He is among those who expect to see base rates at around 7 per cent by the end of next year, and inflation at about 3¾ per cent.

He added: "As long as the Bank of England is seen to be ahead of events, the gilts market will be reassured, and base rates will not be a negative influence."

However, the December sterling futures contract is already discounting a base rate of around 6.75 per cent – a full percentage point more than the current rate. Mr Thomas dismissed this: "Short sterling does get a bit carried away."

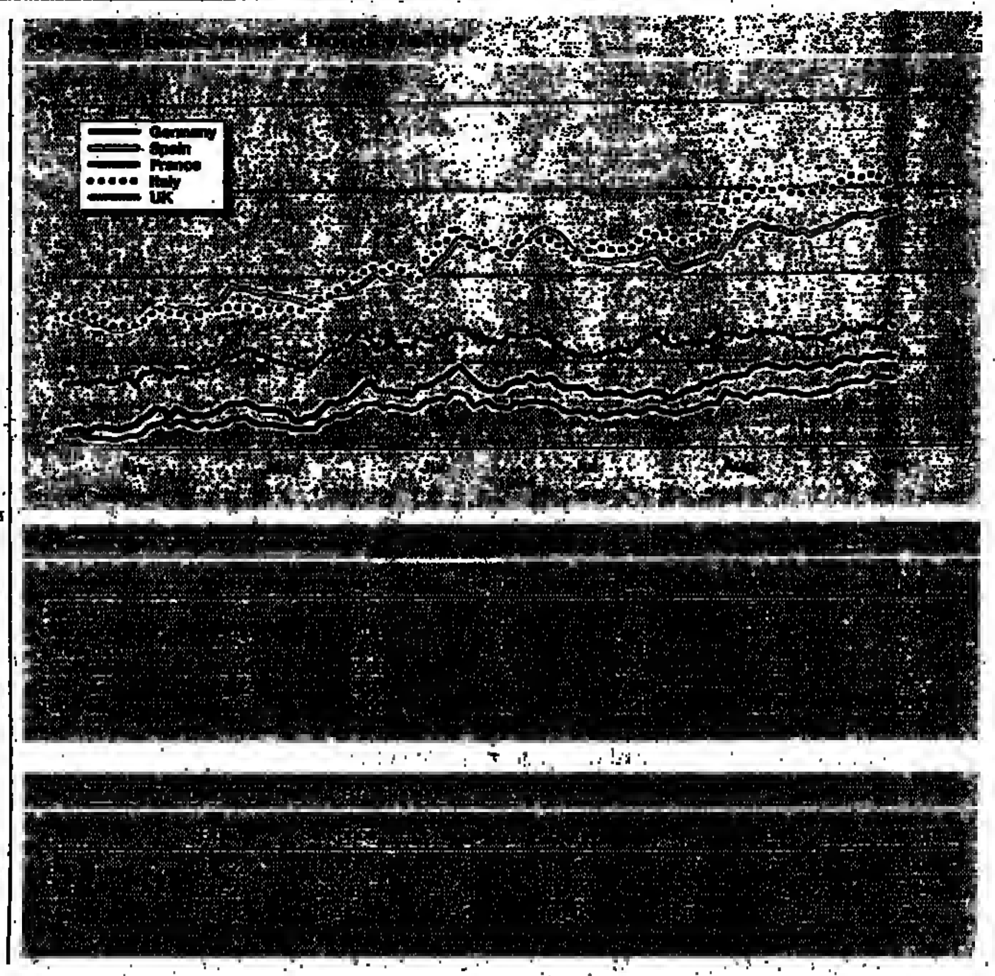
The forecast of 7 per cent base rates by the end of next year is shared by Mr Richardson of Yamaichi. "We believe we are entering a 1960s-style inflation era, and we will have 1960s-style interest rates."

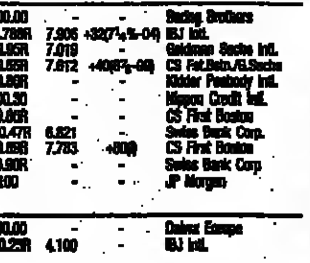
He thinks the 10-year gilt yields will fall from around 9 per cent to less than 8 per cent next year: "We believe inflation has been licked as a long-term problem."

However, Mr Kevin Gardiner at Morgan Stanley believes strength in the economy may lead the chancellor to take base rates up to 10 per cent in 1996.

The view that gilts may suffer badly from rises in base rates is one held by Mr Chris Dillow, at Nomura Research Institute. He said last week's base rates rise will make no difference to demand in the short-term and "this means there will be a lot more interest rate rises in the pipeline". He said: "The lesson of history is that interest rates rise more than you expect."

Mr Dillow declined to predict where bases rates are going, but simply insisted: "They will rise further and faster than expected. The idea that you put up short rates and the bond market likes it is pretty mythical. Gilts won't like base rates going up. My advice is to sell them now."





International / Graham Bowley

FRNs provide safe haven as European rates start to rise

Amid the bloodbath in the world's bond markets this year, one area of the eurobond market, the floating-rate note sector, has thrived. With the move upwards in European short-term interest rates only just beginning, FRNs look set to remain in vogue.

Since the turn of the year, investors have fled the fixed-rate markets at the prospect of rising inflation and higher short-term rates. Many of those brave enough to remain with bonds have turned to the relative safety of FRNs.

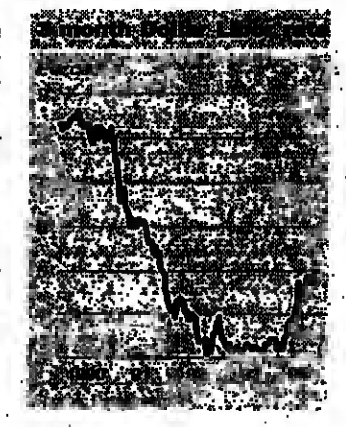
These offer a variable rate of interest which moves to reflect changes in money market interest rates. They therefore provide some protection for investors when official interest rates begin to turn upwards.

"The bond markets are in a horrible state and in such times of uncertainty, the FRN is a valuable defensive instrument," said one eurobond dealer in London.

"It's pretty grim out there. Investors are turning to FRNs because they don't want to buy anything else," said another trader.

The volume of new FRNs issued has risen dramatically, to $76.8bn so far this year, compared with $72.1bn for all of 1993 and $48.2bn for 1992.

The first rise to US interest rates in February caused the initial surge in FRN activity.



"People realised the bull market was over and ran for cover," said one dealer.

However, the increase in the supply of new issues caused spreads to widen – the interest rate on an FRN is usually set at a "spread" or margin over the London interbank offered rate (Libor), the benchmark interest rate for the market. That, and a slightly improved sentiment in government bond markets, spurred a move back into fixed-interest bonds.

However, that move was only temporary. Further weakness in the fixed interest sector has caused a new flood of investors looking to break into the FRN market.

"Now people are beginning to realise that the bear market is here to stay, which means the FRN market will get busier," said one dealer.

Last week's sharp falls to European government bonds made it clear that any confidence the markets may have had left that European bonds could "decouple" from the US market - which is further advanced in the economic cycle - is fast disappearing.

"Few people believe there will be any more interest rate cuts in Europe," said a syndicate manager at a US investment bank in London. "Many think the rest of Europe will now be pressurised into following the UK and raising rates.

"This should be bullish for long-dated fixed interest bonds, as long-term inflation prospects improve, and we should see a flattening of the yield curve. In the meantime, if you are not sure when that improvement will come and you do not want to stay in cash, the best bet is probably to get into a short-dated floating rate instrument."

Last week, Europe's interest rate cycle began to turn upwards for real when Mr Kenneth Clarke, the chancellor, launched his pre-emptive strike on UK inflation. The half point rise in rates was undoubtedly the first of many steps upwards. With that dismal prospect for fixed interest bonds, the floating-rate sector will probably remain busy.

World Bank decides on 5-year global

By Graham Bowley

The World Bank has opted for a five-year maturity on its long-awaited $1.5bn offering of global fixed-rate bonds which it expects to launch early this week.

The five-year maturity best reflects current investor interest, the Bank said. Some syndicate managers had been expecting the Bank to tap the 10-year area of the dollar sector.

"Five years is not the World Bank's preferred choice but is rather a reflection of where investors told us they wanted to put their money to work," said Mr Peter Horvath, senior finance officer at the World Bank in Washington.

The launch will go ahead despite Friday's sharp fall in US Treasury prices. Volatile market conditions early last week had caused the Bank to delay the launch.

Mr Horvath added: "We think the prospects for the offering are good, but we are in a bear market and not a bull market."

"The five-year area is where it will receive the best reception," said an official at Lehman Brothers, which is lead-managing the deal with UBS.

"The market is in a fairly defensive mood at the moment and portfolio managers are erring on the side of caution and looking for [bonds of] a more neutral duration," the Lehman Brothers official said.

NEW INTERNATIONAL BOND ISSUES

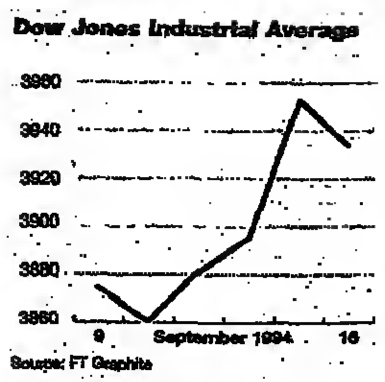
Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Commerce Asset Holding(a)§	100	Sep.2004	(1½-2)	100.00	-	-	Barings Brothers
Metropolis of Tokyo	500	Oct.2004	7.875	99.788R	7.906	+32(7¼%-04)	IBJ Intl.
Abbey National Treasury Ser.	200	Oct.1997	7.00	99.95R	7.019	-	Goldman Sachs Intl.
Reed Elsevier	200	Oct.1999	7.50	99.55R	7.612	+40(6⅞%-99)	CS Fst.Boston/G.Sachs
Okobank†	100	-	(e)	99.89R	-	-	Kidder Peabody Intl.
Nippon Credit Bk(Curacao)†	70	Oct.2004	(f)	100.30	-	-	Nippon Credit Intl.
Bank of Melbourne†	300	Oct.1997	(g)	99.86R	-	-	CS First Boston
Swiss Bk. Corp.(Cayman)	200	Oct.1997	7.0	100.47R	6.821	-	Swiss Bank Corp.
CS First Boston	150	Oct.1999	7.75	99.85R	7.783	+80(j)	CS First Boston
Ben.Lateinam. de Export†	100	Oct.1995	(m)	99.90R	-	-	Swiss Bank Corp.
Fokus Bank AS (Norway)†	75	Sep.2004	(n)	100	-	-	JP Morgan
YEN							
Uniden Corp.§/§	10bn	Sep.1998	0.625#	100.00	-	-	Daiwa Europe
West LB Finance Curacao	10bn	Oct.1999	4.25	100.25R	4.100	-	IBJ Intl.
STERLING							
Cookson Group(a)§	00	Nov.2004	7.00#	100	-	-	CS First Boston
FRENCH FRANCS							
Dresdner Bank Finance Aust.	2bn	Oct.1999	7.50	99.586R	7.600	+18(8½%-99)	BNP Cap.Mkts.
Thomson-Brandt Intl.	1bn	Oct.1997	7.50	99.575R	7.664	-	Societe Generale/UBS
Halifax Building Soc.	2bn	Oct.2001	8.00	99.36R	8.120	+28 (8½-01)	Paribas / SBC
Swedish Export Credit(c)	500	Apr.1999	7.00	99.93R	-	-	Banque Paribas
D-MARKS							
Muenchener Hypothekenbank‡	200	Oct.1999	(g)	100.04	-	-	DG Bank
Baden-Wuerttembergische†	250	Oct.1996	(i)	100	-	-	Deutsche Bank
KfW Intl. Fin.	1bn	Oct 2004	7.75	99.30R	7.842	+25 (6¾-04)	JP Morgan / West LB
CANADIAN DOLLARS							
Commerzbank Overseas Fin.	150	Oct.1999	8.625	99.576R	8.733	+20(7¾-99)	Commerzbank/M.Lynch
European Sovereign Inv.(c)	125	Jan.1999	8.25	99.75R	-	-	Wood Gundy
ITALIAN LIRE							
France Telecom	150bn	Oct.1997	11.40	101.225	10.90	-	Swiss Bank Corp
European Investment Bank	500bn	Oct.1997	11.45	101.20	10.98	-	Bc.Roma/D'tsche/IMI
Holding Finance BV Ams.	150bn	Oct.1997	11.60	101.30	11.06	-	BCI/San Paolo
US Guaranteed Fin.Corp‡	350bn	Jun.2006	(i)	100.0R	-	-	BCI/Deutsche BK
Peugeot Finance Intl.	150bn	Nov.1997	12.00	101.495	11.38	-	Credito Italiano
GUILDERS							
ABN Amro Bank(b)	350	Oct.2004	8.00	98.50R	8.226	-	ABN Amro
DANISH KRONER							
European Investment Bank	250	Oct.1999	8.875	102.00	8.369	-	Kreditbank
AUSTRALIAN DOLLARS							
Australia & New Zealand Bk.	75	Oct.1997	9.50	100.99	9.132	-	RZW
Bayerische Vereinsbank	100	Oct.2004	10.25	100.175	10.22	-	Hambros
SWISS FRANCS							
Credit Local de France	150	Oct.1999	5.375	102.125	4.779	-	Merrill Lynch AG
Bank Nederlandse Gemeenten	100	Nov.1997	5.25	102.15	4.468	-	Credit Suisse
LUXEMBOURG FRANCS							
European Inv. Bank	2bn	Oct.2001	8.125	102.15	-	-	BGL
SILB	2bn	Oct.2004	8.625	102.50	8.248	-	BIL
ASLK-CGER	3bn	Oct.1998	8.000	102.100	7.375	-	Banque BCL/ASLK
Credit Foncier de France	2bn	Nov.1999	zero	69.75	7.471	-	Credit Europeen

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. †Floating rate note. ‡With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Conversion price: 13.6 M.R. $20m greenshoe. b) Callable from 2001/99, subject to 150% hurdle, at 104% falling 1%pa to par. c) Short 1st coupon. d) Coupon pays 3-mth. [illegible] e) Pays 3mth. Libor +140bp for years 1-5, then pays 3 mth. Libor +345bp. f) Pays 6mth US Libor +50bp until 6/10/97, then pays 10% annually thereafter. g) Amount increased from £75m. Conversion premium 17.35%. [illegible] Clean up call at any time after 10/11/99 if 85% of bonds are converted. h) Amount increased from [illegible] Over interpolated yield. j) Pays 3 mth Libor +10bp. k) Pays 3 mth Libor +25bp. l) Long first coupon. m) Amount increased to $250m. Coupon pays 3 mth Libor +60bp. Long first coupon. n) Subordinated issue. Coupon pays 6 mth Libor +115bp for 1st 5 years, then pays 6 mth Libor +130bp. Note: Yields are calculated on ISMA basis.

EQUITY MARKETS: This Week

NEW YORK — Frank McGurty

Brief respite in store for investors



Source: FT Graphite

Wall Street is entering a relatively quiet period, which should allow investors to regain their balance after last week's roller-coaster ride. But analysts expect any respite to be brief, given the uncertainty that is gripping the Treasury market.

With no fresh first-tier economic news due during the next five sessions, share prices are likely to continue e consolidation which began on Friday, when troubling readings on industrial production and capacity utilisation sent bonds reeling and stocks back-tracking.

However, it is reasonable to expect less volatility this morning. During the "triple witching" session which closed last week, the monthly expiration of stocks options and futures contracts introduced an extra element of stomach-churning unpredictability to a market already suffering from over-stimulation. The Dow Jones industrial index wobbled to the finish, showing a 20-point decline.

If bonds are setting the direction, stocks have established their own pace. Equity investors were more inclined than their fixed-rate counterparts to turn the other cheek when confronted by the two indications of higher inflation which book-ended the seven-day period ending on Friday.

During the middle of the week, when the data painted a rosier picture, stocks reaped a more generous reward than bonds. On Thursday, the bellwether blue-chip index jumped almost 80 points to close within striking distance of its all-time best, set the week before the Federal Reserve began its shift to a policy of tighter credit.

Alas, last week ended with evidence that the central bank still may not have done enough to harness the engines of growth. Bond traders were particularly upset to learn that America's factories and mines last month were using more of their total capacity than at any time since April 1989. With the likelihood of production bottlenecks developing, the threat of higher producer prices loomed larger.

However, stocks again proved their relative resilience. When the dust settled after the triple-witching reinvestment scurry, the Dow Jones index had landed on its feet, ending the week with a 59 point net gain.

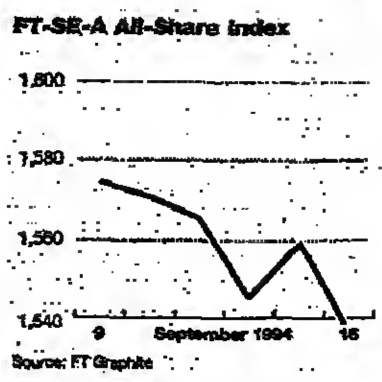
If the outlook for corporate earnings remains optimistic, stocks may hold out a little longer against the tide which is pushing bond prices lower and yields higher.

Nevertheless, Mr Gregory Nie, technical analyst et Kemper Securities in Chicago, says that blue chips are unlikely to gain a firm foothold in uncharted territory, even if the volatility which he is expecting allows the index to cross the line.

"Hitting a new high is going to be very difficult to achieve if we get many more episodes on bonds such as on Friday," he says.

LONDON — Terry Byland

Prices depend on response to rising rates



Source: FT Graphite

The chancellor of the exchequer has obliged UK analysts to face the question they have been skating around all summer; will economic recovery, in the shape of higher company earnings and dividends, triumph over higher base rates to keep tha market moving ahead?

The City's answer seems to be, on balance, positive, perhaps surprisingly considering the range of views. It is not difficult to find two diametrically conflicting quotations from leading securities houses.

"The increase in base rates was a necessary move," or "In our view, the pre-emptive move on UK rates was unnecessary." Just to add to the confusion, the first writer then hedges his bets by adding that "a further rise may not be necessary", while the second says tha chancellor may be "jostled into moving base rates up by another ½ per cent this year".

Mr John Shepperd at Yamaichi also sees another ½ per cent rise this year and base rates at 7 per cent by the end of 1995 – "which should be about tha top of the interest rate cycle".

Markets in Europe as wall as London appear to have moved firmly to the view that the interest rate cycle is now on the turn, and the outlook for share prices this week will hinge on the response to this prospect.

The case for a further advance by equities before the year-end, and there are still plenty of 1994 Footsie forecasts in the 3,300 to 3,500 range on record, is rehearsed by Strauss Turnbull which has raised its end-1995 Footsie forecast range to 3,700–4,000.

Strauss repeats its view that equities can out-perform following base rate rises, pointing out that rate troughs in 1977, 1984 and 1988 were followed by gains in share prices which delivered returns on equities averaging 33 per cent. On the economic growth side, Strauss sees dividend growth at 10 and 12 per cent per annum over 1994–95.

NatWest Securities prefers 9 per cent for this year and 8 per cent in 1995 with a Footsie forecast of 3,500 by the year-end.

But equity performance this week is likely to hang on the more considered response from UK government bonds to the rate rise. At mid-week, the auction of the new bond is expected to be a difficult process for both the Bank and the market, especially after the poor response to the RPI and latest PSBR data. Without a more positive performance from gilts, tha equity market is not going to make any permanent recovery just yet.

Friday afternoon, although a shock for the market, could prove a decisive moment for equities. Market strategists suggested that, while gilts had reason to react to tha US economic data, shares have every reason to benefit from the further signs of recovery in one of the world's leading economies.

International offerings

Flying start for Pakistan privatisation programme

The success of Pakistan Telecommunication Corporation's ambitious international offering of 5m vouchers, exchangeable into shares in the future privetised utility, has shown that, despite more difficult market conditions, investors can still get excited about the right sort of deal.

"The one type of deal still capable of surprising us is an emerging market transaction in a promising sector," said one investment banker.

The 5m vouchers were priced on Friday at Rs5,500, raising $900m for the Pakistani government. The government originally aimed to raise just $500m, at a price of Rs3,000. When joint lead manager Jardine Fleming came to allocate the transaction on Friday, it was twice oversubscribed.

"We had done a domestic offering priced at Rs3,000, knowing that it was a relatively small tranche (less than 2 per cent of the size of the company)," said Mr Naveed Qamar, chairman of Pakistan's privatisation commission. When the government subsequently decided to sell almost 10 per cent of the company through an international offering, its advisers said it would have to be at the same price.

However, the strong performance of the initial offering soon made it clear that the deal could be completed on tighter terms, and an initial mandate awarded to UBS was withdrawn.

Jerdine Fleming subsequently completed the deal at almost twice the price, winning widespread praise for its handling of the transaction.

One reason for Jardine Fleming's success was the structure of the deal. By making the vouchers availabfe in the form of dollar-denominated global depositary receipts, which can be cleared through Euroclear and Cedel, the deef proved attractive to investors who might have been deterred by having to deal with the local currency.

According to an official at Jardine Fleming, around 25 per cent of the deal was placed in the US, 25 per cent in the UK, 25 per cent in the Far East and the remainder with expatriate Pakistani investors, mostly based in the Middle East.

The vouchera, which are traded on the Karachi Stock Exchange, rose to Rs6,000 on Friday, on the news of the successful completion of the offering. The government has made a commitment to buy back vouchers at Rs3,800, in the event that they are not converted into shares as a result of privatisation by 1996.

The deal has successfully kicked off the government's ambitious privatisation programme. The transaction will be followed by a 26 per cent strategic sale of PTC, and then by other deals, including thermal power plants and financial institutions. Mr Qamar said that in almost all cases the government will try to place paper with international investors, as they are too large to be completed solely on the domestic market.

However, investment bankers cautioned against viewing the deal as marking a return to favour of emerging markets, or any strong preference for Pakistan. The deal benefited from the fact that the telecommunications business is widely viewed as an attractive means of entrance into an emerging economy.

"Typically, it's a business where there is fat to cut, but at the same time there is an enormous growth potential as the underlying economy growe," said one investment banker.

In the case of PTC, the network is expected to expand by 30 per cent annually, having nearly doubled since 1992. In the past, investors have done well by buying telecom stocks at an early stage in an emerging market's development, for example in the case of Mexico's Telmex.

Tracy Corrigan

OTHER MARKETS

PARIS

Results will continue to drive the market, with first-half figures expected this week from BNP, Michelin, Pechiney and Crédit Lyonnais. UBS also expects indications this week of an attractive price for the partial privatisation of Renault, but warns that international investors risk disappointment.

"Whether it will be to appease unions or to appeal to voters, the majority of the Renault deal is likely to be distributed in France to employees, French institutions and corporates (Elf, BNP, Lagardère) and private investors," the bank says.

ZURICH

In a week bereft of statements from leading companies, the chemicals and pharmaceuticals sector is likely to remain at the centre of attention after last week's war of words between the analysts.

Roche, the market's flagship stock, was under pressure on Thursday after Goldman Sachs removed it from its European "recommended for purchase" list. Goldman said growth in the pharmaceutical industry had slowed in the first half of 1994 as market forces in the US and healthcare cost reforms in Europe took effect.

Other factors included a reduction in the long-term growth rates for major divisions, the impact of tha Syntex acquisition, disappointing second-quarter sales, the Swiss franc's strength, and a decrease in net cash.

The Rocha certificates derived little benefit on Friday when Barclays de Zoete Wedd reiterated its "strong buy" recommendation, citing the company's strong growth. Elsewhere in the sector, UBS has downgraded Sandoz to a "hold", saying that the 2 per cent growth in first-half net profits was below market expectations.

Mercur, the retailer, reports first-half figures on Friday. Mr Frederick Hasslauer at Bank Sal Oppenheim is forecasting a 5 per cent rise in first-half turnover, the figure depressed by the strength of the Swiss franc, and a 7 per cent increase in net profit.

BRUSSELS

The half-year results season continues with figures on Wednesday from Powerfin, and on Thursday from Kredietbank, Cockerill Sambre and Tractebel. Ms Rachael Roache at Kleinwort Benson says that the market is in transition from being driven by interest rates to earnings and rising bond yields are encouraging investors to demand better interim results.

She notes that during September, interim figures generally dictate market performance and believes this year's economic recovery should allow for some pleasant surprises, with better earnings compensating for weak bonds.

Ms Roache sees a favourable outlook for the market in the short term. "In the longer term, the defensive nature of the market bodes well for a return to favour as rising interest rates spark a move out of cyclicals."

At Goldman Sachs, Mr Pierre Stiennon agrees that the market will be increasingly earnings-driven, but says that this will depress the interest rate-sensitive stocks like banks, insurers and utilities, as rate cuts come to an end. "However, the defensive features of these stocks can prove attractive in an uncertain environment and this could again be the case if tha market turns more pessimistic."

TOKYO

Profit-taking ahead of the September book-closing, coupled with selling prompted by worries over large lot fundraising through the stock and convertible bond markets over the next few weeks, are expected to continue to depress investor confidence, writes *Emiko Terazono*.

Apart from the Japan Tobacco issue next month, Matsushita Electric Works, e subsidiary of the electronics concern which produces building materials and lighting equipment, plans to issue Y80bn in convertible bonds at mid-week.

HONG KONG

Politics and the Jardine camp will be the key features in the market this week, *writes Louise Lucas*.

However, last week's resilience in the face of a renewed outburst from China – this time directed at the Jardine group, which Beijing wishes to see withdrawn from the port extension project – suggests the impact may be limited.

Investors will be watching for further developments on the Container Terminal 9 contract from the Joint Liaison Group meeting.

The market also took in its stride the delisting of Jardine subsidiaries, which was announced last week along with the results of the three companies; Hongkong Land, Mandarin Oriental and Dairy Farm.

Parent Jardine Matheson announces its results today and Jardine Strategic follows tomorrow.

These are likely to yield few surprises as they come after their subsidiaries. This broadly winds up the reporting season, leaving just the property developers to announce their interims.

Compiled by Michael Morgan

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 19.09.94: Pool purchase price £/MWh	Final Prices for Trading on 21.09.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.31	8.57	8.57
0100	9.58	9.50	9.50
0130	9.58	9.60	9.50
0200	9.60	9.50	9.50
0230	11.31	9.50	9.50
0300	9.60	9.50	9.50
0330	9.58	9.50	9.50
0400	9.58	9.50	9.50
0430	9.50	9.50	9.50
0500	9.58	9.60	9.50
0530	9.58	9.50	9.50
0600	9.58	9.50	9.50
0630	9.58	9.50	9.50
0700	9.58	9.50	9.50
0730	9.58	9.50	9.50
0800	8.94	9.50	9.50
0830	11.82	11.02	13.35
0900	13.15	11.30	13.83
0930	14.83	11.99	14.32
1000	18.73	12.57	14.90
1030	18.73	17.07	19.40
1100	23.39	19.11	21.45
1130	17.97	19.11	21.45
1200	35.65	20.85	23.18
1230	35.65	26.89	28.22
1300	35.65	25.89	28.22
1330	22.84	20.85	23.18
1400	23.39	19.11	21.45
1430	15.06	12.57	14.90
1500	14.13	12.16	14.49
1530	11.82	9.59	9.89
1600	11.82	9.59	9.59
1630	17.82	10.00	10.00
1700	13.16	12.16	14.49
1730	13.94	12.16	14.49
1800	13.94	12.16	14.49
1830	13.94	12.57	14.90
1900	14.61	12.57	14.90
1930	25.56	12.16	14.49
2000	40.00	14.40	16.73
2030	40.00	19.79	22.12
2100	31.83	22.84	25.16
2130	25.58	22.84	25.13
2200	25.58	21.57	23.90
2230	23.02	18.67	21.01
2300	14.96	19.79	22.13
2330	13.02	12.16	14.49
2400	9.60	9.58	9.58

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.09.94: Pool purchase price £/MWh	Final Prices for Trading on 22.09.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.59	9.54	9.54
0100	9.56	9.50	9.50
0130	9.59	9.50	9.50
0200	9.80	9.60	9.50
0230	9.82	9.50	9.50
0300	9.82	9.50	9.50
0330	9.59	9.50	9.50
0400	9.59	9.50	9.50
0430	9.59	9.50	9.50
0500	9.59	9.50	9.59
0530	9.55	9.52	9.52
0600	9.55	9.63	9.63
0630	11.23	9.60	9.60
0700	16.58	11.30	14.03
0730	18.67	15.65	18.65
0800	18.73	17.04	19.77
0830	17.97	15.89	18.73
0900	15.59	21.57	24.34
0930	18.77	20.03	22.80
1000	18.94	23.36	26.19
1030	19.07	23.40	26.23
1100	19.19	23.43	26.27
1130	24.73	23.60	26.37
1200	24.87	23.57	26.46
1230	26.89	23.54	26.42
1300	26.87	23.43	26.27
1330	18.57	21.85	24.44
1400	17.21	19.76	22.53
1430	17.15	19.73	22.49
1500	17.19	19.73	22.49
1530	17.12	19.73	22.49
1600	17.14	19.78	22.52
1630	17.18	19.87	22.67
1700	26.15	22.52	25.33
1730	26.10	22.49	25.29
1800	18.05	22.40	25.17
1830	18.01	19.73	22.48
1900	11.22	17.80	20.94
1930	40.20	17.80	20.53
2000	40.20	16.14	18.67
2030	40.19	16.14	18.88
2100	15.01	28.25	30.56
2130	18.00	31.83	34.86
2200	18.00	28.25	30.98
2230	18.78	16.14	18.67
2300	18.78	16.14	18.87
2330	15.26	16.65	18.68
2400	11.22	11.30	14.03

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 16 / Sch)

BELGIUM/LUXEMBOURG (Sep 16 / Frs.)

DENMARK (Sep 16 / Kr)

FINLAND (Sep 16 / Mkk)

FRANCE (Sep 16 / Frs.)

GERMANY (Sep 16 / Dm.)

ITALY (Sep 16 / Lire)

NETHERLANDS (Sep 16 / Fls.)

NORWAY (Sep 16 / Kroner)

SPAIN (Sep 16 / Pts.)

SWEDEN (Sep 16 / Kronor)

SWITZERLAND (Sep 16 / Frs.)

PACIFIC

JAPAN (Sep 16 / Yen)

HONG KONG (Sep 16 / H.K.$)

MALAYSIA (Sep 16 / MYR)

SINGAPORE (Sep 16 / S$)

AUSTRALIA (Sep 16 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Sep 16 / Can $)

4 pm close

MONTREAL (Sep 16 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Sep 16 / Rand)

■ TOKYO - MOST ACTIVE STOCKS: Friday, September 16, 1994

INDICES

	Sep 16	Sep 15	Sep 14	1994 High		1994 Low	
Thailand							
Bangkok SET (30/4/75)	1546.24	1534.04	1536.14	1753.73	4/1	1168.59	4/4
Turkey							
Istanbul Comp.(Jan 1986)	23685.5	24215.6	24104.7	[illegible]	13/1	12980.76	24/3
WORLD							
MS Capital Int (1/1/70)§	635.4*	636.6	634.3	644.00	2/5	591.89	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1358.91	1368.54	1360.86	1540.19	31/1	1306.48	21/6
Euro Top-100 (26/6/90)	1194.43	1204.58	1194.92	1611.61	2/2	1149.06	21/6
JCapelDigns (31/12/88)	(u)	341.35	341.72	385.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	190.22	189.61	189.21	190.22	16/9	141.35	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open Int.
Sep	1981.0	1928.0	-61.0	1996.0	1925.0	39,016	39,805
Oct	2001.5	1993.5	-61.0	2001.5	1936.0	-	15,623
Dec	2021.0	1954.5	-61.5	2022.5	1956.0	1,089	4,455

Open interest figures for previous day.

US INDICES

Dow Jones	Sep 16	Sep 15	Sep 14	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3933.35	3953.88	3895.35	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.08	97.58	97.45	105.81 (21/1)	95.43 (13/5)	105.77 (15/10/93)	54.99 (1/10/81)
Transport	1586.33	1575.45	1575.29	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	177.21	178.74	177.70	227.86 (3/1)	176.71 (24/8)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3955.22 (3955.95) Low 3894.86 (3883.90) (Theoretical‡)
Day's high 3953.66 (3954.49) Low 3912.85 (3894.23) (Actual‡)

Standard and Poors	Sep 16	Sep 15	Sep 14	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite $	471.19	474.81	468.80	482.00 (2/2)	435.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¶	557.14	560.83	553.38	560.83 (16/9)	510.05 (21/9)	560.83 (15/9/94)	3.62 (21/6/32)
Financial	45.42	46.05	45.44	48.94 (14/3)	41.30 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	259.77	261.42	258.49	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	456.65	456.74	457.33	487.39 (2/2)	422.67 (26/6)	487.39 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	777.91	776.86	768.61	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Sep 9	Sep 2	Aug 26	Year ago
Dow Jones Ind. Div. Yield	2.71	2.83	2.64	2.81
	Sep 14	Sep 7	Aug 31	Year ago
S & P Ind. Div. yield	2.37	2.37	2.33	2.47
S & P Ind. P/E ratio	20.91	20.95	21.11	27.84

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett.price	Change	High	Low	Est. vol.	Open Int.
Dec	475.65	472.55	-3.10	476.25	471.25	70,473	196,951
Mar	474.75	475.70	-3.05	477.00	474.60	600	5,585
Jun	-	479.35	-2.85	478.60	478.00	79	1,952

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Wal-Mart	5,715,800	24⅛	-⅛
IBM	5,138,500	71	+1⅛
Ford Motor	5,069,000	29⅜	-⅜
A T & T	4,848,300	55	-⅛
Merck	4,556,500	34⅜	—
Gen Elec	4,468,100	51⅛	-⅛
Gen Motors	4,099,300	50⅝	-1⅛
Coca-Cola	4,078,300	47⅛	-⅞
Hanson	3,921,700	19⅛	+⅛
Compaq	3,453,600	37⅛	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Sep 16	Sep 15	Sep 14
New York SE	410.625	280.480	287.438
Amex	17.332	17.228	19.531
NASDAQ	(u)	278.675	264.341
NYSE			
Issues Traded	2,868	2,855	2,854
Rises	722	1,541	1,084
Falls	1,406	605	1,043
Unchanged	740	709	727
New Highs	49	89	31
New Lows	83	42	84

... values of all indices are 100 except Australia All Ordinary ... Euro Top-100, ISEQ Overall; Toronto Comp./Metals & ... NYSE All Common – 50 and Standard and Poor's – 10. §§ ... Sep 16 - 2087.45 -31.81

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. $ Industrial, plus Utilities, Financial and Transportation. ‡ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✦) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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Waverley Unit Tst Mngmt Ltd (1000)F

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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LUXEMBOURG (SIB RECOGNISED)

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
ABN AMRO Funds						
14 Rue Jean Monnet, L-2180 Luxembourg 352 4249 49320						
Latin America Equity		$-	60.10	61.05	-	-
North American Equity		$-	51.09	52.15	-	-
Germany Equity		DM-	100.34	100.44	-	-
Europe Bond		$-	49.00	49.12	-	-
Germany Bond B		DM-	96.17	96.42	-	-
Abtrust Fund Mngrs Luxembourg SA (u)						
13 rue Goethe L-1637 Luxembourg 010 352 4046461						
Abtrust Atlas Fund						
Global Cap Portfolio		?-	3.089		-	[illegible]
United States Portfolio		?-	3.804		-	[illegible]
Cont Europe Portfolio		DM-	5.123		0.74	[illegible]
Japan Portfolio		?-	0.740		-	[illegible]
Pacific Portfolio		?-	6.028		-	[illegible]
Gold Portfolio		?-	5.702		-	[illegible]
UK Growth of Income		?-	1.785		0.67	[illegible]
Dollar Portfolio		?-	1.909		[illegible]	[illegible]
Sterling Portfolio		?-	1.047		[illegible]	[illegible]
American Phoenix Investment Portfolios (u)						
13 rue Goethe, L-1637 Luxembourg 010 352 4046461						
[illegible]		Ecu-	13.08		-	[illegible]
[illegible]		Ecu-	12.57		-	[illegible]
BAII Intermarket Fund						
2 Boulevard Royal, Luxembourg 010 352 4590 3082						
NAV Aug 31		$-	567.06		-	[illegible]
Bank Von Ernst & Cie AG						
Marktgasse 63/65, 3001 Berne, Switzerland 31 3114061						
Von Ernst Global Portfolio						
Equity Sub-Funds						
UK Equity		£-	13.01	-	-	[illegible]
UK Smaller Co's Eqty		£-	10.53	-	-	[illegible]
[illegible]						

HSBC Investment Funds Lux SA - Contd.

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Market Specific						
Canadian Equity		?-	9.27	9.76	-	[illegible]
Chinese Equity		?-	19.07	20.08	-	[illegible]
Hong Kong Equity		?-	31.99	33.67	-	[illegible]
Japanese Equity		?-	13.44	14.10	-	[illegible]
Malaysian Equity		?-	36.40	38.32	-	[illegible]
Singaporean Equity		?-	27.64	29.10	-	[illegible]
United Kingdom Equity		?-	13.05	13.74	-	[illegible]
Bond and Reserve Funds						
International Managed Bond		?-	11.65	12.27	-	[illegible]
Sterling Bond		?-	4.08	4.83	-	[illegible]
US Dollar Bond		?-	9.45	9.95	-	[illegible]
Sterling Reserve		?-	3.91	4.1A	-	[illegible]
US Dollar Reserve		?-	6.13	6.36	-	[illegible]
Henderson Management SA (u)						
[illegible]						

Hypo Foreign & Colonial Port Fd Sicav(u)

[illegible]

S.G. Warburg Asset Mngmt Lux SA - Contd.

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

Investissements Atlantiques SA

NAV Aug 22 | $37.31 37.60 | 0.3 | 45306

[illegible]

Lloyds Bank Luxembourg (u)

[illegible]

World Trust Fund

[illegible]

Yamaichi Advanced Technology Fund

[illegible]

Yamaichi 1992 DMBI Fund SICAV (u)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

Europe 1992

S.G. Europe Obligations SA

FFM / Swiss Financial Services

Fairbanks Global Capital Fund Ltd

Ferrell Management Ltd

[illegible]

Johnson Fry Securities Ltd

Jupiter Tyndall (Bermuda) Ltd

KI Asia Pacific Fund Ltd

Kingsgate Global Fund Ltd

Kingdom Offshore N.V.

[illegible]

Wells Fargo U.S. IT Fund

Wells Fargo A Shs (r)	$13.31		-	47856
Wells Fargo B Shs (r)	$13.37		-	47154

Worldwide Limited

NAV Aug 31	$97.49		-	49663

Xiphias International Investment Fd Ltd

Xiphias Global Growth Jul 31	$2.32		-	-
Xiphias Int ECU Acc	Ecu1.4044		-	46023
Xiphias Int ECU Dis	Ecu1.1931		-	46024

Yamaichi Capital Management (Guernsey) Ltd

Thai Inv Fund	$22.55		-	46493

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. ‡ Distribution free of UK taxes. § Periodic premium insurance plans. s Single premium insurance. ¤ Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. A Previous day's price. §§ Guernsey gross. ‖ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase, not as dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Sep 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1619	+0.1158	525 - 712	17.1716	16.9703	17.1575	0.3	17.1457	0.4	-	-	115.1
Belgium	(BFr)	50.1178	+0.3203	861 - 494	50.1610	49.8880	50.1328	-0.4	50.0778	0.3	49.7928	0.6	116.8
Denmark	(DKr)	9.6049	+0.0506	003 - 095	9.6102	9.5053	9.6096	-0.6	9.629	-1.0	9.6716	-0.7	116.4
Finland	(FM)	7.7683	+0.0099	889 - 097	7.8110	7.7180	-	-	-	-	-	-	84.9
France	(FFr)	8.3258	+0.0517	216 - 300	8.3312	8.2370	8.3254	0.1	8.327	-0.1	8.2911	0.5	110.4
Germany	(DM)	2.4356	+0.0173	343 - 368	2.4373	2.4079	2.4346	0.5	2.4319	0.8	2.4024	1.4	126.2
Greece	(Dr)	370.736	+4.173	539 - 932	371.105	366.024	-	-	-	-	-	-	-
Ireland	(I£)	1.0160	+0.0027	151 - 169	1.0174	1.0068	1.016	0.1	1.0171	-0.4	1.0216	-0.8	104.7
Italy	(L)	2462.89	+15.93	171 - 406	2464.12	2438.71	2469.09	-3.0	2481.58	-3.0	2545.89	-3.4	75.3
Luxembourg	(LFr)	50.1178	+0.3203	861 - 494	50.1610	49.8880	50.1328	-0.4	50.0778	0.3	49.7928	0.6	116.8
Netherlands	(Fl)	2.7315	+0.0179	300 - 325	2.7325	2.6993	2.7304	0.4	2.7272	0.6	2.6947	1.3	120.8
Norway	(NKr)	10.6836	+0.0663	788 - 886	10.6991	10.6742	10.6834	0.0	10.6855	-0.1	10.6679	0.0	86.0
Portugal	(Es)	248.015	+1.576	818 - 212	248.240	245.391	249.745	-8.4	252.925	-7.9	-	-	-
Spain	(Pta)	202.309	+1.556	165 - 452	202.484	199.956	202.714	-2.4	203.444	-2.2	206.279	-2.0	85.9
Sweden	(SKr)	11.7626	+0.0547	529 - 722	11.7737	11.6255	11.7816	-1.9	11.8291	-2.3	12.0426	-2.4	75.3
Switzerland	(SFr)	2.0212	+0.0136	196 - 228	2.0231	2.0016	2.0188	1.5	2.0129	1.6	1.9774	2.2	123.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.8
Ecu	-	1.2782	+0.0071	772 - 791	1.2792	1.2671	1.2796	-0.3	1.279	-0.2	1.2599	1.4	-
SDR†	-	0.935495	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5833	+0.0206	827 - 839	1.5842	1.5814	-	-	-	-	-	-	-
Brazil	(R)	1.3559	+0.0175	539 - 579	1.3581	1.3386	-	-	-	-	-	-	-
Canada	(C$)	2.1392	+0.0229	382 - 402	2.1409	2.1108	2.1387	0.3	2.1381	0.2	2.1369	0.1	87.6
Mexico	(New Peso)	5.3817	+0.0482	780 - 873	5.3880	5.3091	-	-	-	-	-	-	-
USA	($)	1.5840	+0.0206	835 - 845	1.5870	1.5622	1.5833	0.5	1.5815	0.6	1.5658	1.1	62.0
Pacific/Middle East/Africa													
Australia	(A$)	2.1292	+0.0256	275 - 308	2.1310	2.1015	2.1291	0.0	2.1305	-0.2	2.1457	-0.9	-
Hong Kong	(HK$)	12.2396	+0.1586	349 - 442	12.2448	12.0727	12.2357	0.4	12.2348	0.2	12.2417	0.0	-
India	(Rs)	49.6861	+0.6372	704 - 058	49.7080	49.0140	-	-	-	-	-	-	-
Japan	(Y)	156.586	+1.205	497 - 675	156.730	154.650	156.215	2.8	155.315	3.2	150.321	4.0	188.5
Malaysia	(M$)	4.0475	+0.0518	454 - 495	4.0501	3.9930	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6219	+0.0318	200 - 238	2.6243	2.5881	2.6258	-1.8	2.6336	-1.8	2.6558	-1.3	-
Philippines	(Peso)	41.0258	+0.4919	960 - 555	41.3580	40.6910	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9407	+0.0768	386 - 428	5.9457	5.8683	-	-	-	-	-	-	-
Singapore	(S$)	2.3491	+0.0221	475 - 506	2.3618	2.3195	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6252	+0.0685	222 - 281	5.6333	5.5649	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9776	+0.0434	595 - 956	6.9965	6.9037	-	-	-	-	-	-	-
South Korea	(Won)	1257.68	+18.8	648 - 867	1268.87	1249.92	-	-	-	-	-	-	-
Taiwan	(T$)	41.5289	+0.5554	130 - 448	41.5459	40.9406	-	-	-	-	-	-	-
Thailand	(Bt)	39.5287	+0.4881	004 - 570	39.5600	39.0240	-	-	-	-	-	-	-

†SDR rates for Sep 15. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.8346	-0.068	320 - 370	10.9176	10.8320	10.8345	0.0	10.8343	0.0	10.7585	0.7	104.3
Belgium	(BFr)	31.6400	-0.21	300 - 500	31.9100	31.6300	31.6472	-0.3	31.66	-0.3	31.795	-0.5	105.6
Denmark	(DKr)	6.0637	-0.0471	627 - 647	6.1164	6.0706	6.0702	-1.3	6.0902	-1.7	6.1674	-1.7	104.2
Finland	(FM)	4.9238	-0.0582	188 - 288	4.9850	4.9186	4.9238	0.0	4.9306	-0.5	4.9789	-1.1	78.2
France	(FFr)	5.2562	-0.0358	552 - 572	5.3078	5.2552	5.2587	-0.6	5.264	-0.6	5.2307	0.6	109.8
Germany	(D)	1.5378	-0.0091	373 - 379	1.5512	1.5373	1.5378	-0.2	1.5378	-0.1	1.5336	0.3	107.0
Greece	(Dr)	234.050	-0.4	000 - 100	238.780	234.000	234.35	-1.5	234.975	-1.6	237.725	-1.6	69.4
Ireland	(I£)	1.5591	+0.0161	582 - 599	1.5699	1.5383	1.5585	0.5	1.5555	0.9	1.5371	1.4	-
Italy	(L)	1554.85	-10.2	460 - 510	1565.75	1553.70	1559.5	-3.6	1569.85	-3.7	1624.35	-4.5	75.7
Luxembourg	(LFr)	31.6400	-0.21	300 - 500	31.9100	31.6300	31.6472	-0.3	31.66	-0.3	31.795	-0.5	105.9
Netherlands	(Fl)	1.7243	-0.0112	240 - 245	1.7395	1.7240	1.7246	-0.2	1.7248	-0.1	1.7195	0.3	105.6
Norway	(NKr)	6.7447	-0.046	437 - 457	6.8048	6.7437	6.7497	-0.9	6.7667	-1.5	6.8422	-1.4	96.1
Portugal	(Es)	156.575	-1.045	500 - 650	157.750	156.500	157.325	-5.7	161	-11.3	165.575	-5.7	95.3
Spain	(Pta)	127.720	-0.66	670 - 770	128.850	127.770	128.035	-3.0	128.655	-2.9	131.6	-3.0	80.9
Sweden	(SKr)	7.4259	-0.0624	221 - 296	7.5100	7.4137	7.4424	-2.7	7.4809	-3.0	7.6734	-3.3	80.4
Switzerland	(SFr)	1.2760	-0.009	755 - 765	1.2905	1.2755	1.2749	1.5	1.2728	1.0	1.261	1.2	108.4
UK	(£)	1.5840	+0.0205	835 - 845	1.5870	1.5622	1.5833	0.5	1.5815	0.6	1.5658	1.1	87.6
Ecu	-	1.2393	+0.0092	388 - 398	1.2396	1.2287	1.2384	0.9	1.2366	0.9	1.2092	2.4	-
SDR†	-	1.46505	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	+0.0002	995 - 996	0.9998	0.9993	-	-	-	-	-	-	-
Brazil	(R)	0.8560	-	550 - 570	0.8570	0.8560	-	-	-	-	-	-	-
Canada	(C$)	1.3505	-0.0031	503 - 507	1.3536	1.3492	1.3508	-0.3	1.3518	-0.4	1.38	-0.7	84.0
Mexico	(New Peso)	3.3975	-0.015	950 - 000	3.4000	3.3950	3.3985	-0.4	3.4003	-0.3	3.4077	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3442	-0.0013	435 - 448	1.3457	1.3435	1.3445	-0.2	1.3452	-0.3	1.3525	-0.6	87.4
Hong Kong	(HK$)	7.7270	+0.0001	265 - 275	7.7275	7.7265	7.7268	0.0	7.7275	0.0	7.7425	-0.2	-
India	(Rs)	31.3688	-0.0037	675 - 700	31.3700	31.3675	31.4538	-3.3	31.5988	-2.9	-	-	-
Japan	(Y)	98.8550	-0.525	300 - 800	99.4500	98.8000	98.665	2.3	98.205	2.6	95.83	3.1	149.1
Malaysia	(M$)	2.5552	-0.0004	547 - 557	2.5585	2.5547	2.546	4.3	2.5347	3.2	2.6062	-2.1	-
New Zealand	(NZ$)	1.6552	-0.0016	545 - 559	1.6573	1.6545	1.6561	-0.7	1.666	-0.7	1.6633	-0.6	-
Philippines	(Peso)	25.9000	-0.025	000 - 000	26.1000	25.7000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	503 - 508	3.7508	3.7503	3.7518	-0.4	3.7559	-0.6	3.7745	-0.6	-
Singapore	(S$)	1.4830	-0.0053	825 - 835	1.4885	1.4825	1.4817	1.1	1.4798	0.9	1.473	0.7	-
S Africa (Com.)	(R)	3.5515	-0.004	505 - 520	3.5575	3.5505	3.5668	-5.2	3.5961	-4.9	3.6718	-3.4	-
S Africa (Fin.)	(R)	4.4050	-0.05	950 - 150	4.4400	4.3950	4.4387	-9.2	4.4875	-8.4	-	-	-
South Korea	(Won)	800.300	+0.25	800 - 800	800.800	799.800	803.3	-4.5	808.8	-3.2	825.3	-3.1	-
Taiwan	(T$)	26.2178	+0.0115	160 - 195	26.2195	26.2090	26.2378	-0.9	26.2778	-0.9	-	-	-
Thailand	(Bt)	24.9550	-0.015	450 - 650	24.9750	24.9450	25.0275	-3.5	25.156	-3.2	25.635	-2.7	-

†SDR rate for Sep 15. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 15 Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	10.15	16.61	4.860	2.027	4914	5.449	21.31	494.8	403.6	23.46	4.032	1.995	4.268	3.160	312.3	2.550
Denmark	(DKr)	52.19	10	8.669	2.536	1.058	2565	2.844	11.12	258.2	210.6	12.24	2.104	1.041	2.227	1.649	163.0	1.331
France	(FFr)	60.20	11.53	10	2.926	1.220	2958	3.280	12.83	297.9	243.0	14.12	2.427	1.201	2.569	1.902	188.0	1.535
Germany	(DM)	20.57	3.943	3.418	1	0.417	1011	1.121	4.384	101.8	83.05	4.828	0.830	0.411	0.878	0.650	64.24	0.525
Ireland	(I£)	49.33	9.453	8.195	2.396	1	2424	2.688	10.51	244.1	199.1	11.57	1.989	0.984	2.105	1.559	154.0	1.258
Italy	(L)	2.035	0.390	0.338	0.099	0.041	100.	0.111	0.434	10.07	8.214	0.477	0.082	0.041	0.087	0.064	6.354	0.052
Netherlands	(Fl)	18.35	3.517	3.049	0.892	0.372	901.9	1	3.911	90.81	74.08	4.306	0.740	0.366	0.783	0.580	57.31	0.468
Norway	(NKr)	46.93	8.993	7.796	2.281	0.951	2306	2.557	10	232.2	189.4	11.01	1.892	0.936	2.003	1.483	146.5	1.197
Portugal	(Es)	20.21	3.873	3.357	0.982	0.410	993.1	1.101	4.306	100.	81.57	4.742	0.815	0.403	0.863	0.639	63.10	0.515
Spain	(Pta)	24.78	4.747	4.118	1.204	0.502	1217	1.350	5.279	122.6	100.	5.813	0.999	0.494	1.057	0.783	77.36	0.632
Sweden	(SKr)	42.62	8.167	7.080	2.071	0.864	2094	2.322	9.082	210.9	172.0	10	1.719	0.850	1.819	1.347	133.1	1.087
Switzerland	(SFr)	24.80	4.752	4.120	1.205	0.503	1218	1.351	5.285	122.7	100.1	5.810	1	0.495	1.058	0.784	77.44	0.632
UK	(£)	50.12	9.604	8.326	2.436	1.015	2463	2.731	10.68	248.0	202.3	11.78	2.021	1	2.139	1.584	156.5	1.278
Canada	(C$)	23.43	4.490	3.892	1.139	0.475	1151	1.277	4.993	115.9	94.58	5.496	0.945	0.468	1	0.741	73.17	0.597
US	($)	31.64	6.063	5.256	1.538	0.641	1555	1.724	6.742	156.6	127.7	7.424	1.276	0.631	1.350	1	98.80	0.807
Japan	(Y)	32.03	6.137	5.320	1.557	0.649	1574	1.746	6.824	158.5	129.3	7.514	1.291	0.639	1.367	1.012	100.	0.817
Ecu		39.22	7.518	6.515	1.906	0.795	1927	2.137	8.357	194.1	158.3	9.202	1.581	0.782	1.674	1.239	122.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.6445	0.6482	+0.0018	0.6532	0.6445	10,399	60,788
Dec	0.6481	0.6481	+0.0015	0.6532	0.6445	26,288	67,834
Mar	0.6476	0.6487	+0.0015	0.6535	0.6470	285	3,725

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.7798	0.7817	+0.0025	0.7894	0.7775	4,278	20,828
Dec	0.7795	0.7837	+0.0024	0.7905	0.7770	13,233	35,128
Mar	0.7845	0.7860	+0.0022	0.7920	0.7830	28	305

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.0082	1.0111	+0.0060	1.0145	1.0074	3,884	31,431
Dec	1.0126	1.0179	+0.0052	1.0215	1.0120	13,450	37,092
Mar	1.0220	1.0256	+0.0055	1.0280	1.0217	35	2,145

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.5664	1.5812	+0.0174	1.5880	1.5664	2,164	21,953
Dec	1.5618	1.5788	+0.0176	1.5848	1.5618	4,424	27,121
Mar	1.5660	1.5754	+0.0176	1.5790	1.5650	21	212

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.500	7.79	7.88	7.71	-	-	0.09
1.525	5.29	5.33	5.53	-	0.07	0.36
1.550	2.77	3.15	3.60	-	0.39	0.91
1.575	0.36	1.52	2.12	-	1.19	1.87
1.600	-	0.56	1.10	2.02	2.67	3.28
1.625	-	0.14	0.49	4.47	4.74	5.15

Previous day's vol., Calls N/A Puts N/A. Prev. day's open int., Calls N/A Puts N/A

UK INTEREST RATES

LONDON MONEY RATES

Sep 16	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 4¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	7½ - 7
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	6 - 5⅞	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	6¼ - 4½	4¾ - 4¾	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.0940pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 31, 1994. Agreed rate for period Sep 26, 1994 to Oct 25, 1994, Schemes II & III 6.62pc. Reference rate for period July 30, 1994 to Aug 31, 1994, Schemes IV & V 5.378pc. Finance House Base Rate 6½pc from Sep 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Sep 16	Sep 9		Sep 16	Sep 9
Bills on offer	£500m	£500m	Top accepted rate	5.5151%	5.0940%
Total of applications	£1600m	£2308m	Ave. rate of discount	5.4979%	5.0940%
Total allocated	£500m	£500m	Average yield	5.3745%	5.1585%
Min. accepted bid	£98.625	£98.730	Offer at next tender	£500m	£500m
Allotment at min. level	31%	100%	Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

■ Pound in New York

Sep 16	—Close—	—Prev. close—
£ spot	1.5790	1.5620
1 mth	1.5783	1.5613
3 mth	1.5764	1.5594
1 yr	1.5671	1.5439

FIXED INTEREST RATES

MONEY RATES

September 16	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.40	4.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.40	4.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	-	6.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	-	6.75
Germany	4.87	5.00	5.02	5.125	5.53	6.00	4.50	4.85
week ago	4.90	5.00	4.95	5.10	5.45	6.00	4.50	4.85
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	7.50	8.45
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	7.50	8.45
Netherlands	5.01	5.01	5.07	5.24	5.69	-	5.25	-
week ago	4.84	5.01	5.02	5.16	5.49	-	5.25	-
Switzerland	[illegible]	[illegible]	4	[illegible]	[illegible]	6.625	3.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.625	3.50	-
US	[illegible]	[illegible]	5	[illegible]	[illegible]	-	4.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	4.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	5	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	4.65	4.82	5.12	5.66	-	-	-
week ago	-	4.65	4.83	5.12	5.67	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	4	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	4	-	-	-

ECU Linked Ds mid rates: 1 mth: [illegible]; 3 mths: [illegible]; 6 mths: [illegible]; 1 year: [illegible]. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 16	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	7½ - [illegible]	7½ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	0 - 7½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.86	94.81	-0.04	94.86	94.80	38,135	318,547
Dec	94.31	94.21	-0.09	94.31	94.20	67,768	509,266
Mar	93.95	93.82	-0.12	93.95	93.80	57,017	380,306

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.86	94.78	-0.10	94.86	94.75	821	11,409
Mar	94.44	94.33	-0.13	94.44	94.31	74	6,340
Jun	94.11	93.99	-0.13	94.11	93.85	488	489

All Open interest figs. are for previous day

BANK RETURN

BANKING DEPARTMENT	Wednesday September 14, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,055,996,440	-87,508,821
Bankers deposits	1,514,449,288	-115,260,390
Reserve and other accounts	3,297,226,497	-1,432,247,538
	5,882,225,225	-1,635,016,749
Assets		
Government securities	1,235,188,917	+206,840,000
Advances and other accounts	3,409,027,190	-2,887,293,438
Premises, equipment and other secs	[illegible]	[illegible]
Notes	[illegible]	[illegible]
Coin	[illegible]	[illegible]
	5,882,225,225	-1,635,016,749
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	[illegible]	[illegible]
Notes in Banking Department	[illegible]	[illegible]
	[illegible]	[illegible]
Assets		
Government securities	[illegible]	[illegible]
Other Government securities	[illegible]	[illegible]
Other Securities	[illegible]	[illegible]
	[illegible]	[illegible]

UK GILTS PRICES

[illegible]

STOCK INDICES

	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12	1994 High	1994 Low	Since comp. High	Since comp. Low
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250 ex ITs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	1548.5	1570.2	1555.5	1576.6	1582.9	[illegible]	1451.3	[illegible]	[illegible]
FT-SE SmallCap	1875.10	1879.89	1879.72	1891.49	1889.35	2094.96	1777.31	2094.96	1363.79
FT-SE SmallCap ex ITs	1844.27	1848.42	1848.97	1858.54	1867.23	2080.72	1752.58	2080.72	1363.79
FT-SE-A All-Share	1539.71	1559.98	1546.37	1568.58	1572.85	1764.11	1445.85	1764.11	61.92

FT GOLD MINES INDEX

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.25	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk.	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	• Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

● Members of London Investment Banking Association
* In administration

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		221¾	-2.0	Q81%	ϕ	Sep May	6'93	-
ANZ A$		166	—	Q20c	9.7	Jan Jul	9.12	-
Abbey National	†N□	394½xd	-.4	16.6	2.1	May Oct	15.8	6411
Allied Irish E	♣†N□	240xd	-4.7	Q50½%	2.7	Oct May	15.8	1354
Anglo Irish E	MN□	89	-3.3	Q17.9%	1.7	Jan Jul	8.8	1365
Asahi Y		670½	-.7	Q14%	ϕ	Jan Dec	12'92	3049
Banco Bil Viz Pts		215⅝	1.0	Q27.2%	2.7	JyOcJaAp	7'93	-
Banco Sant Pts		£26⅝	—	Q38%	2.0	[illegible]	1.8	-
Bk Ireland E	♣□	280	-1.6	Q13.7%	3.2	Jul Dec	16.5	1380
Bank Scotland	♣N□	195	-5.8	5.05	2.4	Dec Jul	16.5	1742
9¼pc Pf		111¼	-.7	9¼%	-	May Nov	25.4	1482
9¾pc Pf		116¼	-.6	9¾%	-	May Nov	25.4	1685
Barclays	♣†N□	[illegible]	0.2	16.65	1.8	Oct May	16.5	1794
Dai Ichi Kan Y		911½	-1.7	Q18%	1.2	Jan Dec	27.9	-
Deutsche DM		£287¼	-5.0	Q29%	-	May	5'93	-
Espirito Santo		29⅝	-8.1	Q80c	8.2	Jan	8'93	5167
First Nat Fin	N□	74	4.2	1.8	-	Mar Aug	18.7	2571
6.3pc Cv Pf		77	—	6.3%	-	Jul Jan	6.6	2570
7pc Cv Pf		134	4.7	7.6	-	Jul Jan	8.8	1486
Fuji Bank Y		1320¼	-1.4	Q17%	ϕ	Dec Jun	7'93	-
HSBC HK	†N□	732xd	-4.7	24.5	2.4	Nov Jun	5.6	2796
HSBC (75p Shs)	†N□	711½xd	-4.9	24.5	2.4	Nov Jun	5.6	2776
Lloyds	†N□	561½xd	-.1	22.0	2.1	Oct May	8.8	9171
Mitsubishi Y		2151	8.8	Q17%	ϕ	Jun Dec	12'92	-
Mits Tst & Bk Y		949¼	6.2	Q18%	12.4	Jan Dec	12'92	-
Mitsui Tst & Bk Y		680¼	-4.4	Q17%	5.5	Jan Dec	12'92	-
Nat Aust A$	†	494	—	Q59c	1.7	Jul Jan	21.6	-
NatWest	†N□	483½xd	-5.6	18.4	2.4	Oct May	8.8	3463
Ottomane FFr		£21½	-2.3	Q125%	ϕ	May	25.5	-
Ryl Bk Scotland	♣†N□	408	-8.1	12.0	1.9	Feb Jul	16.5	3874
Sakura Y		683	-3.1	Q17%	3.8	Dec Jun	12'92	-
Sanwa Y		£12⅔	-.1	Q18%	2.0	Jan Dec	12'92	-

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	Wk% ch'nge	Div net	Dividends paid	Mid capΣm	Last xd	City line
Personal Assets		295	1.2	195.0	Nov May	12.9	11.4	3642
Pilot Inv		125	-2.9	1.5	Dec Jul	69.6	4.7	1649
Warrants	□	61	-3.9	-	-	7.84	12.11	1652
Piper Euro Smlr	□	85		-	-	9.58	-	4239
Warrants	□	40	2.6	-	-	6.81	-	4240
Primadona	N	296	-1.7	4.5	Oct Mar	13.0	14.3	3721
Ptarmigan Intl	□	234	-7.3	3.36	Jul	11.4	8.8	2418
Warrants		62		-	-	0.49	-	2402
RIT Capital	□	183½	-1.3	1.51	Jul	331.6	8.8	5177
2½pc Cv Ln 2000		£183¾	-.302	2½%	Sep Mar	61.6	8.9	6178
Radiotrust		82		-	-	7.05	-	4991
Rights & Iss Inc		168xd		9.9	Sep Mar	3.84	1.8	3623
Cap	N	495	-4.6	9.7	Jan Mar	8.12	28.2	4966
Riv & Merc Am Inc	N	109	-.9	7.0	MyAuNvFe	7.95	20.6	4963
Cap	□	91	-3.1	-	-	11.8	-	4962
Warrants		14		-	-	1.05	-	4964
Riv & Mer Ext	N□	121	-1.0	7.00	DeMrJeSe	45.0	25.7	5322
Warrants		28	-3.4	-	-	1.68	-	5331
Zero Div Pf		109	-.9	-	-	18.8	-	2543
Riv & Mer Geared	N	97xd	-1.0	7.53	OcDeMrJe	13.6	29.9	3634
Pfd Cap 1999		28	-1.8	-	-	9.80	-	3633
Riv & Merc Smlr	N□	139	-.8	4.14	Mar Nov	32.7	28.2	2080
Warrants		40	-7.6	-	-	1.95	-	3117
Riv & Merc Tst Inc	N□	114xd	-.8	9.2	JaApJyOc	22.9	15.0	3828

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

	Notes	Price	Wk% ch'nge	Div net	Dividends paid	Last xd	City line
Trans Can Pipe	♥	0¼	-1.4	84c	JaApJyOc	1.12	-

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£29¼	-2.5	Q375c	1.0	Oct Apr	3'93	-
Barlow	Z	£4⅝	-3.4	Q18c	-	Jul	30.6	-
Gold Flds Prop R		1190	-5.3	Q52c	ɸ	Feb Sep	31.1	-
NK Props	Z	85		Q67.1c	ɸ	Feb Sep	16.16	-
SASOL	♥	494	3.1	Q78c	-	Oct	23.9	3918
SA Brews		£12⅛	1.0	Q155c	2.2	Dec Jun	30.5	-
Tiger Oats	†	625	4.2	Q85c	2.9	Jul Feb	6.8	-
Tongaat-Hulett	h	687	1.6	Q70.8c	2.4	Feb Aug	4.1	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on 'maximum' distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✲ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Not subject to ACT.
z Dividend includes a special payment: Cover does not apply to special payment.
F Dividend based on prospectus or other official estimates for 1994-95.
G Assumed dividend after pending scrip and/or rights issue.
H Dividend based on prospectus or other official estimates for 1993.
& Dividend based on prospectus or other official estimates for 1994
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: INVESCO Japan Discovery & Warrants, Rights & Issue Inc 0 Cap (Inv Tsts). Deletions: FAI (Insce), Templeton Emg Mkts C (Inv Tsts), Trans World Comms (Media)

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3185. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4 pm close September 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
17⅞	12¼	AAR	0.48	3.6	22	68	13⅝	13⅜	13½	
16⅞	12⅝	A L Labs A	0.18	1.1	36	246	15⅞	15½	15⅞	+⅛
75¼	57⅜	AMP	1.60	2.8	29	2396	74⅝	73⅝	73⅞	-1¼
72¼	52⅛	AMR			98	3522	56¼	55¼	56	+⅛
5	3⅜	ARX			13	55	4	3⅞	3⅞	
56⅛	38⅝	ASA	2.00	4.8	33	1020	50¾	50⅜	50⅝	+½
31⅝	25⅜	AbbotL	0.76	2.5	18	17294	30¾	30⅜	30½	-⅜
14½	11⅜	AbitibiPr	0.50	3.4	11	78	u14⅝	14⅝	14⅝	+⅛
23⅝	17¼	ABM Ind	0.52	2.3		84	22¾	22⅜	22½	-⅛
15⅛	11⅛	Acptocalo			27	650	14⅞	14⅝	14⅞	+⅛
31	22⅝	ACE Ltd	0.44	1.8	31	223	25	24⅞	25	
12½	9⅝	ACM Gvt In	1.09	11.4		274	9⅞	d9⅝	9⅝	-⅜
10⅛	7⅛	ACM GvOpp	0.88	11.2		160	7⅛	d7⅛	7⅛	
10⅝	7½	ACM Gvt Sp	0.86	12.8		626	7⅝	d7½	7½	-⅛
12	8⅝	ACM Gvt Sc	1.09	12.9		717	8¾	d8½	8½	-⅛
11¾	8⅞	ACM Mun	1.06	12.2		142	9	8⅞	8⅞	-⅛
9¼	8	ACM Managd	0.72	8.8		322	8¼	8⅛	8⅛	
16½	8¾	AcmeClv	0.44	3.3	18	66	13¼	18	18¼	
9⅞	6½	Acme Elect			7	33	8⅞	8½	6⅝	-¼
28¾	23	Acordia	0.60	2.2	13	87	27	26⅞	27	-⅛
13¾	6¾	Actava	0.36	3.0	2	240	10½	10¼	10⅝	-⅛
18⅞	11¼	Acuson			121	1623	u16⅛	15⅞	15⅞	-⅛
18⅞	16½	Adams Expr	0.48	8.5	9	182	17½	17⅜	17⅜	-⅛
64	46½	Ad Micro	3.00	4.8		166	60¾	60	60¾	+¼
31⅞	16¾	AdvMic	3.00	10.0	13	13057	35	29¼	30	+⅝
6⅞	5	Advest Grp	0.18	3.0	8	18	6⅜	5¼	5⅜	
20	15	Advo Inc	0.10	0.5	118	126	18¼	17¾	17¾	-⅜
50½	49⅜	Aegon ADR	1.47	2.8	72	180	56⅛	55⅝	56⅛	-⅜
65¾	47¼	AetnaL	2.76	5.7	7	4747	48⅞	48¼	48⅞	
36⅛	25¼	Aflac	0.48	1.3	14	1791	34⅝	34⅛	34¼	-⅛
22¾	18⅜	Ahmanson	0.88	4.6	18	2128	22¼	21¾	22⅛	+⅛
4	1⅜	Aileen Inc			1	51	2½	2⅜	2⅜	-⅜
50⅜	66⅞	AirPrC	0.96	0.5	26	3431	48⅞	48⅞	48⅞	-½
39⅞	28¼	Airbne Frt	0.30	1.0	17	721	28¾	28⅛	28⅝	+⅛
26½	19¾	Airgas Inc			40	148	26¼	25¾	26¼	+½
16⅞	14¼	Airlease	1.84	11.6	12	40	16¼	16½	16¼	
29⅜	21⅜	AirTch				12514	28¾	28½	28½	-½
18⅞	13⅝	Alaska Air	0.20	1.2	25	346	16⅞	16⅝	16¾	-⅛

[illegible]

Continued on next page

4 pm close September 16

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
49⅞	32⅞	Sallie Mae	1.40	3.6	7	2349	36¾	38¾	30½	-½
13⅞	11⅞	Salomon Br	0.32	2.5		237	12¾	12½	12⅝	-⅛
52¾	40⅝	Salomon	0.64	1.6	5	5183	41⅝	040⅝	41	-⅝
25	17½	SnDgCE x	1.52	8.3	9	1102	18⅝	19¼	18⅜	
10	7½	SaulFdRs	0.18	1.6	9	2460	8⅛	8⅞	8⅞	-½
17⅝	11½	SFeGd				3495	16¾	18⅜	18¾	+⅜
40	31½	SantaFePac	2.80	7.0	18	102	35⅛	35	35¼	+¼
26¼	18½	SanFeP	0.10	0.4	12	6022	22¾	22¾	22½	
26	19⅞	SaraLee	0.64	2.6	15	30918	23¼	22¾	22⅞	-⅜
50⅝	42⅛	Scana Corp x	2.82	6.4	11	372	44	43⅞	43¾	-¼
20½	12½	Scecrp	1.00	7.8	6	10530	12⅞	12⅝	12⅝	-⅛
41¼	31¾	ScheringRP			30	531	40⅞	40⅝	40¼	-⅛
71⅞	54½	SchPl	2.04	3.0	16	9685	69¼	68⅛	68⅛	-1¼
63	50¾	Schlmb	1.20	2.2	23	8094	56	55⅛	55¼	-1
33⅞	23¾	Schwab(C)	0.26	0.8	14	3582	30⅛	28¼	28¾	+¼
10⅞	6⅛	Schwitzer			20	72	9¼	8⅞	9¼	+⅛
40¼	24⅞	SciAtl	0.12	0.3	88	2104	44⅝	44¼	44¼	-⅜
19⅞	13	Scotman	0.10	0.6	15	120	16⅜	15⅞	16⅜	+⅜
68⅜	37¼	ScottP	0.80	1.3	17	4466	64	63½	63⅝	-¼
26⅝	18⅝	ScudderKAeF	0.21	0.9		59	24⅞	24½	24¾	-⅛
12⅝	9½	ScuddrNEuF	0.19	1.6		192	10⅛	10⅛	10⅛	-⅛
18¼	13½	SeaCnB	0.70	4.0	8	11	18	17¾	17⅝	-⅝
18½	14⅞	SeaC1.4625	1.46	9.7		8	15⅛	15⅛	15⅛	-¼
32⅝	26¼	Seagrm x	0.60	1.9	40	6028	31⅝	31⅝	31½	
28¾	22¾	Seagull En			32	1477	24⅞	24⅛	24⅝	-⅛
36¼	26⅞	Sealed Air			25	625	33½	33⅛	33⅜	+⅛
55⅛	42⅛	SearsR	1.60	3.2	8	13452	50¾	50¼	50¾	-⅛
13¾	11¼	Sellgm Sel	0.54	7.1		100	11⅞	11¾	11¾	-⅜
39¼	26	Sensormat	0.22	0.6	35	2137	34½	33⅜	34	+¼

AMEX COMPOSITE PRICES

4 pm close September 16

NASDAQ NATIONAL MARKET

4 pm close September 16

FT GUIDE TO THE WEEK

19 MONDAY

Biological weapons treaty

Government representatives meet in Geneva (to Sep 30) to discuss ways of checking compliance with the United Nations' treaty outlawing biological weapons. The 131-member treaty currently has no system to guard against cheating.

The Italian government of Silvio Berlusconi meets union leaders to discuss pension reform. Mr Berlusconi last week postponed a showdown with the powerful trades union movement over proposed cuts in the generous state scheme.

Cutting pension benefits is an essential element in the right-wing coalition's plans to reduce public spending in the 1995 budget.

Angry trades unionists have carried out several protest stoppages, including one at Fiat's Mirafiori plant in Turin.

European Union economics and finance ministers meet in Brussels after the summer recess to resume discussions on excessive deficits in member states, convergence programmes, and the white paper on growth, competitiveness and employment. A two-day agriculture council meeting also starts today. Ministers will focus on reform of the wine sector, the future of union policy on fruit and vegetables, and protectioo of animals transported live.

John Major, UK prime minister, leaves Jeddah for Abu Dhabi and then South Africa after talks with Saudi Arabia's King Fahd on Middle East issues and arms deals.

Mr Major arrives in South Africa on Tuesday for the first official visit by a British prime minister since Harold Macmillan's "wind of change" speech in 1960.

Mr Major (left) will see President Mandela and other political leaders, and address an informal joint session of parliament. Behind the scenes, talks will focus on trade, aid, and British participation in the republic's fledgling privatisation programme.

Art market: The most important blue diamond ever offered at auction, estimated to fetch $8m, goes on exhibition at The Regent, in Kuala Lumpur, Malaysia. Sotheby's, along with rivals Christie's, sees the greatest potential for art market growth in South East Asia, and for the first time is taking to Malaysia some of the jewels it is selling in New York on October 17 and 18, in the bope of attracting bids.

Holidays: Chile (Armed Forces Day), Israel (Eve of Sukkot), South Korea, Sri Lanka, Taiwan (Moon Festival).

20 TUESDAY

Japan announces tax cuts

Japan's ruling coalition is to publish a draft tax reform bill, including one-off and permanent income tax cuts. The finance ministry wants a rise in sales tax to fund the hand-outs. But the draft bill may be vague on that controversial subject, because of strong objections by prime minister Tomiichi Murayama's Social Democratic Party.

The United Nations begins its 49th General Assembly in New York.

Pollution: Budapest hosts an international conference on environmental contamination in central and eastern Europe (to Sep 23). The 300 delegates include representatives of Nato and the US Environmental Protection Agency. They will assess the region and discuss how to measure and reduce air, soil and water contamination.

Irish prime minister Albert Reynolds arrives in Canberra, and will brief Paul Keating, his Australian counterpart, on the Northern Ireland peace process. More than a third of Australians claim Irish ancestry – including the prime minister himself – although the demographics are changing with higher levels of Asian immigration.

UK economy: Market expectations for August growth of M4, the broad measure of the money supply, are still subdued. Moderate M4 lending, expected to come in at a seasonally adjusted £2.2bn, would give a 0.4 per cent rise on the previous month, leaving the annual growth rate at 4.8 per cent, towards the bottom of the government's 3 per cent to 9 per cent monitoring range.

Chess: The Professional Chess Association world championship semi-finals holds its opening ceremony at Linares, Spain (to Oct 6).

Britons Nigel Short and Michael Adams play Gata Kamsky of the US, and the speedy Indian, Vishy Anand, respectively. The incentive for success in the 10-game matches is another multi-million-pound challenge to Gary Kasparov. Play starts on Wednesday.

Headmasters' conference:

Heads of the UK's most prestigious independent mixed and boys schools gather in Bournemouth. In a departure from normal practice, no education minister will address the meeting, but delegates intend to use the three-day conference to finalise an ambitious plan for reforming A-level and GCSE exams.

Holidays: Israel (Sukkot), South Korea, Taiwan (Moon Festival).

21 WEDNESDAY

Danish general election

Denmark holds a general election. The four-party centre-left coalition headed by Poul Nyrup Rasmussen, the Social Democratic Party leader, will almost certainly lose its one-seat majority. His main opponent, Liberal Party leader Uffe Ellemann-Jensen, hopes for victory, but the odds are on a minority government under Rasmussen.

France's budget for 1995, due to be announced today, is expected to be austere. Edouard Balladur's centre-right government intends to cut the deficit from FFr301bn ($56bn) this year to FFr275bn, largely by a clampdown on public spending and higher taxes on petrol and local businesses.

Indonesian trial: Muchtar Pakpahan, the chairman of the largest independent trade union, SBSI, is due to stand trial in the north Sumatran town of Medan for his involvement in the Medan workers' riots in April. He also faces charges for trying to organise a nation-wide strike in February this year in protest at Indonesian workers' conditions.

Portugal's parliament is due to debate constitutional revision, focusing on electoral law and presidential powers, and on adapting the constitution to the process of European integration. Any changes require a two-thirds majority and thus consensus between the centre-right governing party and the opposition Socialists.

Scottish Nationalist conference:

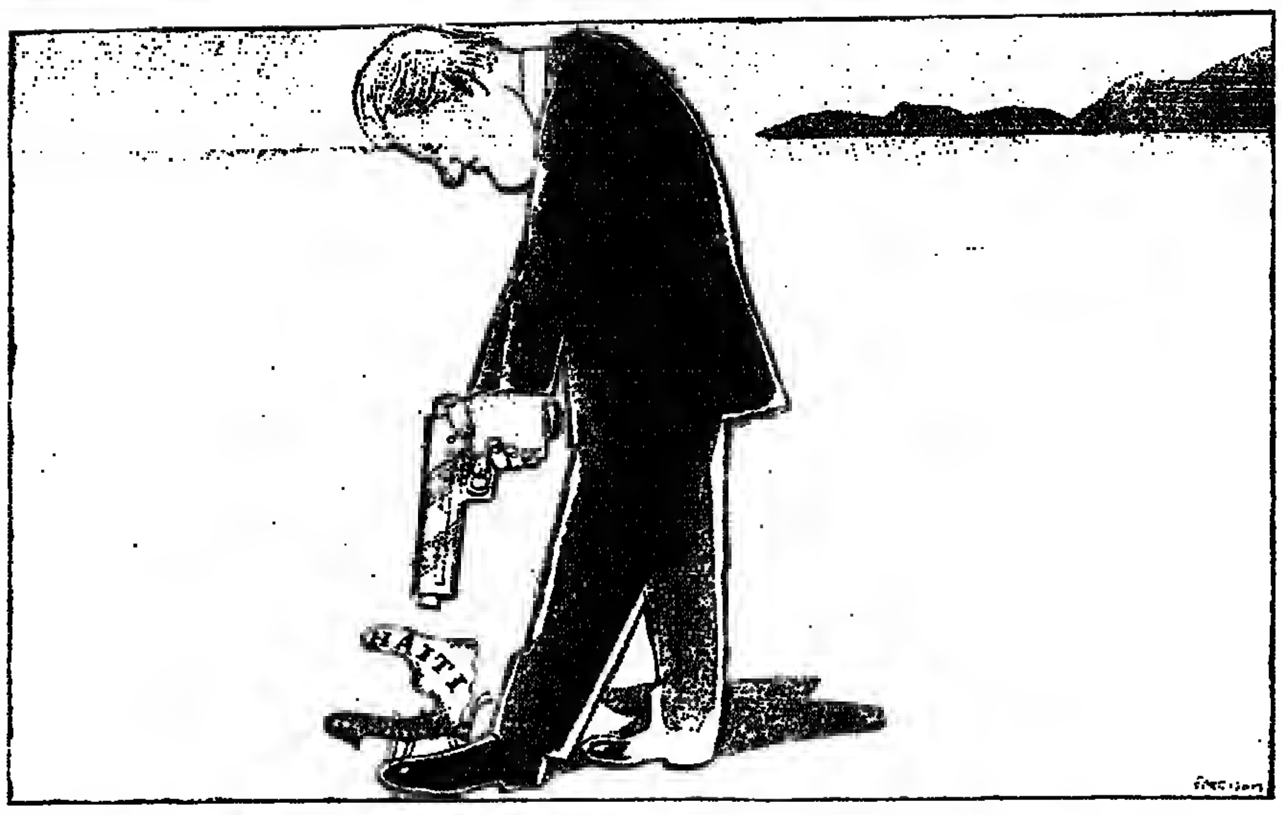
The party, which fights for Scotland's independence and is led by Alex Salmond MP (left), begins its annual conference in Inverness (to Sep 24). It took a record 32.6 per cent of the Scottish vote in June's European elections and gained a second seat at Strasbourg.

UK economy: August's non-EU trade balance will be scrutinised for continuing signs of improvement. Exporters' expectations are rising, while the slowdown in consumer spending indicated by last week's retail sales figures should pinch imports. If, as expected, the trade deficit is about £500m, the average for the past three months will be lower than the £595m average for the previons three.

Alzheimer's Disease: The 10th international conference on senile dementia opens in Edinburgh on the first World Alzheimer's Day (to Sep 23).

FT Surveys: International Equities and Logistics.

Holidays: Hong Kong, Israel (Week of Sukkot), Malta (Independence Day), South Korea.



Shooting himself in the foot? President Clinton's navy is poised to restore democracy by force in Haiti if last-minute talks fail

22 THURSDAY

Uruguay ratification urged

Members of the preparatory committee for the World Trade Organisation, meeting in Geneva, are expected to criticise the US, the European Union and Japan for dragging their heels on ratifying the Uruguay Round trade accords. These include establishment of the WTO itself, and are supposed to come into force next January.

Telecommunications ministers from 50 countries meet in Kyoto, Japan, to discuss creating a global information network using optical fibre and how it could helo rednce the technology gap between rich nations and the developing world.

EU-Asean foreign ministers hold their two-yearly meeting in Karlsruhe (to Sep 23). Once again, the EU will seek to prise open the markets of the six-member Association of South East Asian Nations and to reduce their trade surplus. On Saturday, the foreign ministers meet some 200 chief executives from leading European and Asian companies to continue discussions.

The Bolshoi Theatre's postponed new season opens today, but is in jeopardy after President Yeltsin ordered the introduction of western-style contracts instead of lifelong tenure. Artists may strike in protest.

Party conference: One of the UK's most colourful political parties, the fringe Monster Raving Loony Party, holds its annual conference at a hotel in Ashburton, Devon.

23 FRIDAY

US-N Korea talks resume

The US and North Korea will resume high-level talks in Geneva on the terms of a deal by which Pyongyang would accept full nuclear inspections in exchange for improved relations with Washington.

North Korea would dismantle its current graphite reactors in return for the supply of safer light-water models. One difficulty, however, is that Pyongyang wants them to be Russian, while the US and South Korea want to supply a US-designed model.

Questions also remain about the disposal of the North's stockpile of nuclear fuel and about the means to determine whether Pyongyang has already built an atomic bomb.

UK economy: The markets will be focusing attention on the September CBI industrial trends survey.

The survey provides a snapshot of the mood of industry, because of its potential importance in monetary policy decisions.

Previous surveys have shown factory gate prices rising to levels last seen in late-1990.

Although output and prices balances are strong at the moment, a slowdown in consumer demand should allow both to fall back.

FT Surveys: Venture and Development Capital and West End Property.

Holidays: Japan (Autumnal Equinox Day).

24-25 WEEKEND

Bavarians go to the polls

Bavarians vote on Sunday to elect a state parliament, the last state election before the national elections on October 16.

The results are unlikely to give any further clues about the outcome of the latter, however. While the opposition Social Democrats have fought a spirited campaign, the Bavarians are likely to return the Christian Social Union with an absolute majority – as they have since 1962.

President Boris Yeltsin of Russia, together with Mr Andrei Kozyrev, the foreign minister, meets UK prime minister John Major and foreign secretary Douglas Hurd on what is forecast by Russian officials to be a "relaxed" visit – before heading the following week to the US for meetings with President Bill Clinton in Washington.

The issues will include: the state of the ceasefire in Bosnia; the upcoming summit of the International Monetary Fund; and Russia's plans for reform in the year ahead.

Mr Yeltsin and Mr Kozyrev have an agenda of their own – including pressure for the Conference on Security and Cooperation in Europe to take over many of the functions of Nato. Mr Yeltsin, who has been holidaying on the Black Sea, is expected to address the nation on Thursday before flying to London.

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ECONOMIC DIARY

Other economic news

Monday: With the economic recovery in Japan still moving at a sluggish rate, growth in Japan's M2 money supply is expected to have remained steady at 1.9 per cent for August.

Tuesday: US international trade figures will be watched by markets fearing a widening of the monthly trade deficit following dollar weakness.

Wednesday: Analysts will take a primarily academic interest in the minutes from the July 28 UK monetary meeting between Kenneth Clarke, chancellor of the exchequer, and Eddie George, Bank of England governor, in view of last Monday's base rate rise.

Friday: The UK second quarter balance of payments will be viewed in the context of an excellent performance by invisibles in the first quarter, which is unlikely to be repeated in the second. The markets are expecting a £1.3bn deficit.

Also: The second quarter Japanese GDP figure is expected this week to confirm the view that the economy is slowly on the mend.

German consumer prices will be watched for signs of inflation, while the data on M3 money supply is expected to show slow growth.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Aug money supp (M2 & cash dep)**	1.9%	1.9%
Sept 19	Japan	Aug broad liquidity**	-	3.3%
	Canada	July manufacturing new orders*	0.8%	1.1%
Tues	US	July trade: goods and services	-$9.3bn	-$9.4bn
Sept 20	US	July merchandise trade, census	-$12.9bn	-$13.2bn
	US	Ditto, balance of payments	-	-$14.2bn
	US	July merchandise exports, census	$42.8bn	$42.8bn
	US	July merchandise imports, census	$55.5bn	$56bn
	US	Johnson Redbook, w/e Sept 17	-	4.2%
	Japan	Jul overall pers consump expend**	2.2%	-0.9%
	Japan	Jul overall PCE, workers**	-	0.5%
	Japan	July income, workers**	-	4.8%
	Japan	Sept wh'sale price indx, 1st 10 days	-	-0.1%
	UK	Aug M4*	0.4%	0.1%
	UK	Aug M4**	4.8%	4.8%
	UK	Aug M4, lending	£2.2bn	£2.4bn
	Canada	Jul merchandise exports*†	-1%	8.2%
	Canada	Jul merchandise imports*†	0.5%	2.6%
	Canada	Jul merchandise trade surplus	C$1bn	C$1.1bn
	Canada	Jul wage settlement increases	0.3%	0.0%
Wed	US	Aug building permits	-	1.34m
Sept 21	US	Initial claims, w/e Sept 17	329,000	327,000
	US	State benefits, w/e Sept 10	-	269,000
	US	Aug treasury budget	-$24bn	-$33.2bn
	US	M2, w/e Sept 12	$2bn	-$3.3bn
Wed	France	Aug consumer price indx*	-	0.0%
Sept 21	France	Aug consumer price indx**	-	1.7%
(cont)	UK	Aug trade balance, ex EC	-£500m	-£618m
	Italy	Sept cons price indx, cities*	0.2%	0.2%
	Italy	Sept cons price indx, cities**	3.8%	3.7%
Thur	France	Aug household consumption*	0.3%	0.3%
Sept 22	Sweden	Jul current a/c	SKr1.7bn	SKr0.0bn
Fri	France	Jul trade balance†	FFr6.5bn	FFr6.3bn
Sept 23	UK	2nd quarter GDP, final***	1%	1%
	UK	2nd quarter GDP, final**	3.7%	3.7%
	UK	2nd qtr real disposable income***	-	0.7%
	UK	2nd qtr real disposable income**	-	1.4%
	UK	2nd quarter savings ratio	9.9%	10.4%
	UK	2nd quarter balance of payments	-£1,300m	-£700m
During the week...				
	Japan	2nd quarter GDP†	0.5%	3.9%
	Japan	Sept trade balance, 1st 10 days	-	$1.5bn
	Germany	Aug producer prices indx*	0.0%	0.1%
	Germany	Aug producer prices indx**	0.5%	0.4%
	Germany	Aug M3 from 4th quarter base	8.8%	9.8%
	Germany	Jul trade balance	DM6.5bn	DM8.4bn
	Germany	Jul current a/c	-DM3.7bn	-DM0.1bn
	Italy	Jul producer prices indx**	3.2%	3%
	Italy	Jul wholesale price indx**	3.4%	3.3%

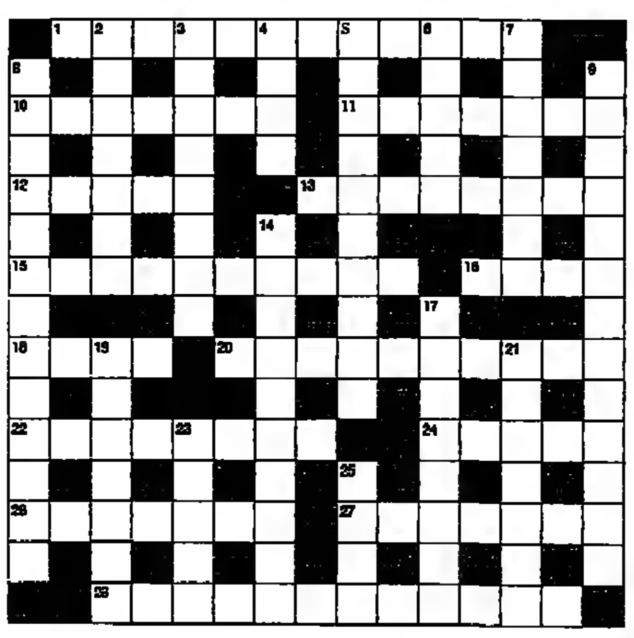
*month on month, **year on year, ***qtr on qtr, †seas/adj *Statistics, courtesy MMS International.*

ACROSS

1 Brief tour of bypass (5-7)
10 Dish of lamb doctor overlooked and Agnes ordered (7)
11 I'm in favour of a wry smile (7)
12 Boy's weight in numbers (5)
13 Boastful supporter takes £2,000 with dexterity (8)
15 Queen first used regal and rambling court (10)
16 Period in Greater Manchester (4)
18 When student is in love, too (4)
20 Staggering MP I send him some naval officers (10)
22 Twisters wanted rent when holding a party (8)
24 Child always turns to woman (5)
26 By mid-afternoon Olivia cooked something to eat (7)
27 Warm and friendly girl in pink (7)
28 Terribly shy, planned to get small horse (7,4)

DOWN

2 Anna's back after 30 minutes, with a joyful cry (7)
3 Man is to endeavour to sign here? (8)
4 Heartless head cook (4)
5 The Parisian looks round anyway (10)
6 American wearing green top when exercising (5)
7 Bun and drink on bar (7)
8 Shut accommodation because of cramped position (5,8)
9 As directed I agree to embrace chaps sloppily! (13)
14 Strange action Lisa finds unfriendly (10)
17 Publicises excursion on runway (8)
19 Struggles with ringleader in Cornish resort (7)
21 Speak of people turning it on (7)
23 Solitary porter carries on (5)
25 Scrutinise second prison (4)



MONDAY PRIZE CROSSWORD

No.8,562 Set by GRIFFIN

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday September 29, marked Monday Crossword 8,562 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday October 3.

Name..

Address..

Winners 8,550

T.J. Meaney, Solihull, West Midlands
K. Fenton, Sleaford, Lincs
Mrs T. Jhabvala, Versoix, Switzerland
Miss E. Morcher, Warlingham, Surrey
Mrs W.S. Reynolds, Edinburgh
T.A. Veitch, Cranbrook, Kent

Solution 8,550